Supreme Court, U.S.
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No. _____

In The
Supreme Court of the United States

S. MICHAEL BENDER,
Petitioner,

v.

JON W. DUDAS, Director,
Patent and Trademark Office,
Respondent.

On Petition for Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

PETITION FOR WRIT OF CERTIORARI

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December 26, 2007

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QUESTIONS PRESENTED

This case is an unprecedented attorney discipline proceeding brought by the United States Patent and Trademark Office ("PTO") against Petitioner "to remove him from the rolls" under § 32 of the patent statute. The PTO issued a Final Order *excluding* Petitioner following an administrative proceeding under § 556 of the Administrative Procedures Act ("APA"). None of the alleged grounds of misconduct upon which the PTO's Final Order is based constitutes conduct or practice, or relates to conduct or practice, "before the Office." Rather the alleged infractions in this case relate to Petitioner's communications with his clients, or with an invention marketing company and, if at all, are subject to disciplinary action exclusively by State Bar Authorities where Petitioner is admitted (i.e. New Jersey and the District of Columbia). The broadest specific power conferred by Congress upon the PTO is set forth in 35 U.S.C. § 2(b)(2)(A) and comprises "establishing regulations which shall govern *the conduct of proceedings in the Office*" (emphasis supplied). Similarly, the disciplinary regulations promulgated under the statute are limited to "*solely* the practice of patent, trademark and other law *before the Patent and Trademark Office*" (37 CFR § 10.1) (emphasis supplied). The Court of Appeals for the Federal Circuit ("Federal Circuit") upheld the PTO's exclusion order against Petitioner's challenge that the PTO's action exceeds authorization by Congress, is unsupported by substantial evidence, and violates the U.S Constitution or otherwise is contrary to law.

The questions presented are as follows:

1. Is the PTO's authority to discipline practitioners before that agency limited by the broadest powers conferred by Congress, and if so, does the PTO's Final Order in this case *excluding* Petitioner for infractions not related "solely" to "conduct or practice before the Office" violate Amendments V and X of the Federal Constitution?

2. A ground of misconduct in this case alleges that Petitioner was "evasive" in answering questions posed in a Requirement For Information ("RFI") issued by the PTO during its investigation. Is the PTO's use of RFIs during the investigative phase of a disciplinary proceeding violative of Amendment V of the U.S. Constitution where, as here, such RFI contains the threat of a disciplinary proceeding being invoked under § 32 of the Patent Act in the event of non-compliance? The Fourth Circuit Court of Appeals in a prior case, *Goldstein v. Moatz*, 364 F.3d 205 (4th Cir. 2004), held the same disciplinary RFI practice in the PTO "utterly lacked procedural safeguards," that "the denial of any avenue of challenge, and the threats of charges for non-compliance, are indicative of a system lacking sufficient procedural safeguards," and that the RFI constituted "improper discovery" not permitted under any disciplinary rule. The Federal Circuit in this case, reaches a contrary conclusion condoning the PTO's use of such disciplinary RFIs thereby creating an irreconcilable conflict between the two Circuit Courts.

3. The Administrative Law Judge ("ALJ") *sua sponte* held that certain specific questions in the PTO's investigative RFI were "evasively answered" by Petitioner and the PTO adopted this finding in its

Final Order. Whether or not these specific questions were answered "evasively" was not litigated during the administrative hearing and the government produced no evidence of any kind in support of this finding. Does it violate Petitioner's due process rights and the "notice" requirements of the APA where as here, the complaint is amended *post hoc* essentially to add a new charge against which Petitioner had no opportunity to defend during the administrative hearing below?

4. In this case, the same agency employee who investigated Petitioner for alleged disciplinary infractions was promoted to Director of the PTO's Office of Enrollment and Discipline ("OED"). As Director of OED, and promptly following his promotion, that same employee "initiated" the underlying § 32 proceeding ultimately leading to the agency's exclusion order. Does the employment of a single agency official charged with both investigating and subsequently "initiating" an ensuing administrative proceeding based upon that investigation violate the "separation of functions" clause of the APA (§ 554(d)(2)) and Amendment V of the Constitution?

5. Each of the alleged "core" infractions underlying the PTO's exclusion order accrued more than five (5) years prior to the date the § 32 proceeding in this case was filed. The patent statute does not contain any Statute of Limitations with respect to disciplinary proceedings. Under the APA (5 U.S.C. § 706(2)), the reviewing court is required to "hold unlawful and set aside agency action ... found to be ... arbitrary, an abuse of discretion, or *otherwise not in accordance with law*" (emphasis added). Does the Federal Statute of

Limitations set forth in 28 U.S.C. § 2462 apply to this case, and if so, is the PTO's Final Order "otherwise not in accordance with law?"

RULE 14.1 STATEMENT

Petitioner (plaintiff-appellant below) is S. Michael Bender.

Respondent (defendant-appellee below) is Jon W. Dudas in his capacity as Under Secretary of Commerce and Director of the United States Patent and Trademark Office.

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PETITION FOR WRIT OF CERTIORARI

Petitioner S. Michael Bender respectfully petitions for a writ of certiorari to review the judgment of the Court of Appeals for the Federal Circuit in this case.

OPINIONS AND ORDERS BELOW

The opinion of the court of appeals (Appendix (App.) *infra*. 1a-20a) is reported at *Bender v. Dudas*, 490 F.3d 1361 (Fed. Cir. 2007). The order of the court of appeals denying Petitioner's petition for rehearing and rehearing *en banc* (App. *infra*. 84a-85a) is unreported. The district court decision (App. *infra*. 84a-85a) is reported at *Bender v. Dudas*, 2006 U.S. Dist. LEXIS 2562 (D.D.C. Jan. 13, 2006). The PTO orders excluding Petitioner and denying Petitioner's request for reconsideration are part of the administrative record of the PTO.

JURISDICTION

The judgment of the court of appeals was entered on June 21, 2007. Petitioner's timely petition for rehearing and rehearing *en banc* was denied September 27, 2007. This court's jurisdiction is invoked under 28 U.S.C. § 1254(1).

CONSTITUTIONAL PROVISIONS, STATUTES AND REGULATIONS INVOLVED

The Fifth Amendment of the U.S. Constitution provides:

"No person shall be ... deprived of life, liberty, or property, without due process of law..."

The Tenth Amendment of the U.S. Constitution provides:

"The powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the States respectively, or the people."

35 U.S.C. § 2(b)(2)(A), in pertinent part provides:

"The United States Patent and Trademark Office ... may establish regulations, not inconsistent with law, which shall govern the conduct of proceedings in the Office."

35 U.S.C. § 2(b)(2)(D) in pertinent part provides:

"The United States Patent and Trademark Office ... may establish regulations, not inconsistent with law, which may govern the recognition and conduct of agents, attorneys, or other persons representing applicants or other parties before the Office..."

35 U.S.C. § 32 in pertinent part provides:

"The Director may, after notice and an opportunity for a hearing, suspend or exclude, either generally or in any particular case, from further practice before the Patent and Trademark Office, any person, or agent, or attorney shown to be incompetent or

disreputable, or guilty of gross misconduct, or who does not comply with the regulations established under section 2(b)(2)(D) of this title..."

37 CFR § 10.1 in pertinent part provides:

"This part governs solely the practice of patent, trademark, and other law before the Patent and Trademark Office. Nothing in this part shall be construed to preempt the authority of each State to regulate the practice of law, except to the extent necessary for the Patent and Trademark Office to accomplish its federal objectives."

5 U.S.C. § 554(d)(2) in pertinent part provides:

"An employee or agent engaged in the performance or investigation or prosecuting function for an agency in a case may not, in that or a factually related case, participate or advise in the decision, recommended decision, or agency review pursuant to section 557 of this title."

5 U.S.C. § 706(2) in pertinent part provides:

"... hold unlawful and set aside agency action ... found to be ... arbitrary, an abuse of discretion, or otherwise not in accordance with law."

28 U.S.C. § 2462 in pertinent part provides:

> "An action, suit or proceeding for the enforcement of any civil fine, penalty, or forfeiture, pecuniary or otherwise, shall not be entertained unless commenced within five years from the date when the claim first accrued."

STATEMENT

Introduction. This case has implications going beyond a practitioner facing disbarment because allegedly he acted unethically. It is about an overarching attempt by a federal agency (PTO) to gain oversight over so-called "invention marketing companies" by preventing practitioners from accepting customers referred by such firms. If that attempt succeeds, the PTO will effectively put invention marketing companies out of business. That this is a strong policy objective of the PTO is beyond doubt. Prior to initiating the administrative proceeding below, the then Commissioner of Patents, Mr. Q. Todd Dickinson, was quoted in an article in the Wall Street Journal[1] relating to invention marketing firms: "[T]hey're like weeds or cockroaches ... we need to be more aggressive in stamping them out ..." The article then states "The patent office said it had plans to be *more aggressive in revoking the license of patent attorneys* who violate ethics rules" (emphasis added). Among such "plans" is a proposed rule[2] containing a

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[1] March 16, 1999, page B2.

[2] Federal Register, Vol. 68, No. 239, Friday, December 12, 2003, Proposed Rules, pages 69442 et seq.

new, expanded Disciplinary Code (37 CFR Part 11), which, *inter alia*, contains rules making it a *per se* violation to represent clients referred by invention developers.[3] Another plan includes the present action seeking to *exclude* Petitioner in order to send a message to the Patent Bar that invention company clients are "off limits." Thus, in the "Background" section of the Complaint filed by the PTO in this case,[4] the Director of OED states: "Respondent engaged in business relationships with a number of invention submission companies ..." and further: "One or more of the invention submission companies referred a number of inventors ... to Respondent."

Regulating the "business relationships" between practitioners and invention marketing firms is not a "federal objective" of the PTO. Congress has given the PTO general power under 35 U.S.C § 2(a)(1) merely to "grant and issue patents and register trademarks," and the specific power under section 2(b)(2)(A) to "... establish regulations, not inconsistent with law, which shall govern the conduct of proceedings in the Office." In *Sperry v. Florida ex rel. Florida Bar*, 373 U.S. 379, 402 (1963), the Court held that the PTO's right to preempt state law with respect to regulating the conduct of attorneys is limited by the PTO's "federal objectives" which in turn, are incidental to the preparation and prosecution of patent applications before the Office. Following *Sperry*, the PTO established its current disciplinary rules which are

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[3] See, for example, proposed rules §§ 11.804(h)(3)(i)-(vi) and 11.504(b).

[4] Complaint dated June 20, 200. See App. infra. page 23a.

limited to: "... solely the practice of patent, trademark, and other law *before the Patent and Trademark Office*" (37 CFR § 10.1). The ethics rules which are alleged to have been infringed by Petitioner all relate to his business relationship with an invention marketing company, or to private communications with his clients; they do not relate to the practice of patent and trademark law "before the Office," i.e. they are outside the "federal objectives" of the PTO. Indeed, in prior litigation, the Federal Circuit held that with respect to the merits of the patent applications corresponding to the subject matter of this case, Petitioner fulfilled his obligations well in representing his clients "before the Office." *In re Daniels*, 144 F.3d 1452, 1453 (Fed. Cir. 1998).

The PTO disciplinary code gives the PTO Director of OED the power to investigate suspected infractions before initiating a § 32 administrative proceeding. Such investigations typically are carried out through the use of "interrogatories" euphemistically referred to by the PTO as "Requirements for Information" (OED RFIs). In the present case, more than about twenty (20) such OED RFIs were directed at Petitioner during the 5 year period commencing from the time the PTO learned Petitioner was accepting clients from an invention marketing company. In separate litigation, another practitioner brought a "Bivins" action against the same OED investigator in this case challenging the use of such RFIs by that investigator and the PTO on constitutional grounds. In that case, *Goldstein v. Moatz*, 364 F.3d 205 (4th Cir. 2004), the Fourth Circuit ruled that the subpoenas (RFIs) "utterly lacked procedural safeguards," "denied any avenue of challenge," and "contained threats of charges for non-

compliance," all of which indicated a system "lacking sufficient procedural safeguards." The *Goldstein* court after carefully analyzing the PTO's disciplinary regulations enacted under 35 U.S.C. §§ 2(b)(2)(A) and 2(b)(2)(D), further concluded that the RFIs employed by OED during the investigative stage were "improper discovery" because the enacted rules permit RFIs only in connection with patent applications, and that *discovery of a Respondent in disciplinary cases* is permitted only after a § 32 proceeding is brought and then, and only then, under the supervision of an Administrative Law Judge. In the present case, the Federal Circuit erroneously declined to adopt the reasoning of the Fourth Circuit in *Goldstein* raising an irreconcilable conflict over the use of the OED RFIs by the PTO. That conflict now is in need of resolution.

As this Court stated in *In re Ruffalo*, 390 U.S. 544, 551 (1968), disbarment proceedings are "quasi-criminal" in nature and therefore, the charge must be known before the proceedings commence. In *Dickinson v. Zirko*, 527 U.S. 150 (1999), this Court ruled that the PTO is a "federal agency" governed by the provisions of the Administrative Procedures Act, 5 U.S.C. § 500 et seq., (the "APA"). In its zeal to disbar Petitioner in an effort to "send a message not to deal with invention marketing companies," the PTO violated provisions of the APA and thereby infringed Petitioner's Fifth Amendment procedural due process rights. In this respect, the PTO *sue sponte* found Petitioner's answers to a small number of specific questions in an OED RFI to have been "evasively answered" despite the fact that Petitioner had no notice of these specific questions before the § 32 administrative hearing as required under § 556 of the APA, and the issue of "evasive

answers" of any kind whatsoever never was litigated during the hearing. Additionally, the PTO failed to file the underlying administrative proceeding under § 32 until about 6 years after the charged core violations accrued. The undue delay in this case resulted in extreme prejudice to Petitioner because *inter alia* the PTO employee who investigated Petitioner throughout the 6-year period was promoted to OED Director and in that elevated capacity, that same employee initiated the § 32 proceeding. By "initiating" the administrative proceeding in this case, that same employee "participated" in the PTO's Final Order of exclusion, and thus, a single PTO employee "investigated and participated" in the underlying administrative proceeding in violation of § 554(d)(2) of the APA. Finally, § 706(2) of the APA, defines the scope of judicial review of final decisions by the PTO and requires the reviewing court to set aside any agency order "otherwise not in accordance with law." The alleged core violations upon which the PTO's exclusion order is grounded all accrued more than 5 years prior to the initiation of the administrative proceeding in this case. That order therefore is "otherwise not in accordance with law" because it is "time barred" under the federal Statute of Limitations set forth in 28 U.S.C. § 2462 given that the patent act lacks its own Statute of Limitations.

Petitioner has an unblemished record both before and after the alleged infractions in this case. He has represented more than about two thousand inventors honorably before the PTO over a 42 year career as a registered patent attorney. None of the charges in this case relates to the filing or prosecution of any patent application or to misconduct of any kind "before the

Office." The Federal Circuit's decision sustaining the PTO's exclusion order is "policy driven" aimed at curing the perceived evils of "invention marketing companies." It does not follow law. It is a dangerous precedent. It conflicts with its own prior decisions as well as decisions in other Circuits. And, it infringes the Fifth and Tenth Amendments of the U.S. Constitution.

Factual Background. The present proceeding dates back to 1993 when Petitioner agreed to take over prosecution of portions of the pending case docket of a "suspended" patent practitioner named Leon Gilden, Esq. (herein "Gilden").[5] The PTO's own rules, specifically 37 CFR § 10.158(a)(2), requires a suspended attorney to turn over his active case files to "another practitioner" in order to protect the patent rights of the individual inventors involved. More specifically, Petitioner agreed to assume prosecution responsibility for more than 1,000 *design* patent applications Gilden had filed on behalf of client-inventors referred to Gilden by an invention marketing company named "American Inventors Corporation" (herein "AIC"). The PTO had information that Gilden, or someone in Gilden's office, routinely embellished the drawings in each application with a unique decorative pattern of surface indicia, ostensibly to ensure allowance of each application and avoid a refund of AIC's service fee under a guarantee clause contained

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[5] As shown by the administrative record in the PTO, Attorney Gilden settled his § 32 proceeding by agreeing to a five-month suspension in return for pleading guilty to two counts, viz. (i) failing to cooperate with OED, and (ii) permitting another to affix his signature to a paper filed in the PTO.

in some, but not all of the contracts between each inventor and AIC. Instead of striking the applications on grounds of fraud, the PTO issued Requirements for Information in each of the more than 1,000 design applications seeking to alert each inventor to the "Gilden" situation and obtain information regarding the inventorship of the surface ornamentation and the intention of each inventor with respect to whether a utility application or a design application was contemplated. Petitioner was convinced that under the patent law, the applications could be cured by amending the drawings to delete the added [albeit non-invented] surface indicia, and that either a design patent could be obtained on the unadorned underlying configuration illustrated in the drawings, or a utility patent application could be filed basing its priority upon the amended design patent drawings. See *Rohm & Haas Co. v. Crystal Chemical Co.*, 727 F.2d 1556, 1572 (Fed. Cir. 1983). Petitioner ultimately was proven correct by the Federal Circuit. *In re Daniels*, supra.

At the outset of his representation, and working with outside counsel, Petitioner prepared an engagement letter which he sent with the PTO's RFI to each of the "Gilden" applicants. Petitioner also filed Petitions to the Commissioner of Patents and Trademarks seeking the PTO's cooperation in processing the more than 1,000 Gilden applications. The Petitions forthwith were denied by the PTO.

Soon after the PTO learned of Petitioner's involvement with the Gilden applications and AIC, and motivated by the PTO's strong policy of disciplining patent attorneys who accept referrals from

invention promoters, a disciplinary investigation of Petitioner was caused to ensue with respect to his relationship with Gilden and AIC. The PTO's OED mailed Petitioner the first of what was to become a steady stream of "disciplinary letters" or OED RFIs. In September 1994, more than a year after Petitioner was placed under investigation, the then Deputy Commissioner of Patents and Trademarks, Michael Kirk, appeared before the *Senate Subcommittee on Regulation and Government Information* to publicly express the PTO's efforts in general to discipline patent attorneys having a "relationship" with invention promotion companies, and more specifically, to describe steps already taken to discipline patent attorneys associated with AIC. In that public testimony, Mr. Kirk states: "... bad apples create very bad situations ... The ones that we are dealing with ... are not properly representing their client's interests ... They are working more for the invention development firm and *so we have taken action against them to take them off the rolls.*" (emphasis added.) See App. *infra*. pages 55a-56a.

On June 20, 2000, following Commissioner Dickinson's call for aggressive action in the aforementioned Wall Street Journal article, Petitioner was served with the underlying *Complaint Under 35 U.S.C. § 32*. The document, was signed by Harry I. Moatz, Director OED, the same OED employee in charge of investigating Petitioner. Only two PTO officials appear to have been the decisionmakers in this case on behalf of the agency, namely the aforementioned Harry I. Moatz and Jeffrey Toupin, General Counsel, the author of the Final Decision and of the denial of Petitioner's Request for

Reconsideration. Significantly, the co-authors of the newly proposed PTO disciplinary rules, supra note 2., are the same two decisionmakers.

Found Violations. In the Final Decision, the PTO adopted certain disciplinary rule violations found by the ALJ in the Initial Decision. These include: § 10.23(b)(5) (conduct prejudicial to the administration of justice); § 10.77(c) (neglect); § 10.62(a) (accepting employment without a client's consent, etc.); and § 10.68(a)(1) (accepting compensation from a third party (AIC) without obtaining consent, etc.). With respect to the first charge, the PTO held in the Final Decision that Petitioner was "evasive" answering questions 2.c., 4.a-4.c., 4.f. and 4i in the OED RFI of September 18, 1998.[6] With regard to the second charge, the PTO held in the Final decision that Petitioner was "neglectful" because he "failed to adequately counsel his clients as to the possible inappropriateness of the pending design application," and second "failed to *promptly* notify his clients of final rejections of their applications issued by the PTO." With respect to the third and fourth charges, the PTO held that Petitioner's "business arrangement" with AIC *per se* raised a conflict of interest. In this regard, the PTO held that although receiving consent when he accepted prosecution responsibility for the already filed patent applications, Petitioner failed to make disclosures of certain alleged differing interests before obtaining such consent. The "engagement letters" sent by Petitioner to his clients and which were criticized by the PTO as being inadequate and therefore

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[6] This particular RFI contained approximately 112 questions.

supportive of both the first "neglect" charge and the "conflict of interest" charges; and the notices of Official Actions which allegedly were not sent "promptly enough" thereby supporting the second "neglect" charge; are events that occurred in 1994 or early 1995, more than 5 years before the filing date of the underlying § 32 Complaint.

Proceedings Below. Following an administrative proceeding under 5 U.S.C. § 556, the ALJ on February 11, 2002 issued an Initial Decision excluding Petitioner from practice before the PTO. Petitioner appealed the Initial Decision under 37 CFR § 10.155, and in an order dated September 30, 2003, the PTO issued a Final Decision dramatically reducing the number of charges, but nevertheless, still excluding Petitioner. Petitioner filed a Request for Reconsideration of the Final Decision on November 20, 2003, which was denied July 26, 2004. Petitioner then appealed to the District Court for the District of Columbia which in a decision dated January 13, 2006 granted the PTO's cross-motion for summary judgment and affirmed the PTO's Final Decision. Petitioner next appealed to the Court of Appeals for the Federal Circuit, which in turn, affirmed the District Court's ruling on June 21, 2007. Petitioner timely filed a Request for Rehearing and Request for *En Banc* Review which was denied on September 27, 2007.

REASONS FOR GRANTING THE PETITION

This Court's review is sought to clarify the jurisdictional limits of federal agency authority to discipline practitioners before that agency; to resolve a conflict between sister Circuit Courts over the use of

investigative interrogatories in federal agency administrative disciplinary proceedings; to reaffirm fundamental principles of procedural due process in such proceedings; and to vacate a clearly erroneous decision by the lower court.

I. The Federal Circuit Erroneously Ruled That The PTO's Own Interpretation Of The Patent Statute With Respect To What Constitutes "Practice Before The Office" Was Entitled To Deference

Under the Tenth Amendment, the State has exclusive rights to "police" attorneys within its borders. Insofar as any federal preemptive rights are conferred by Congress with respect to the recognition and conduct of attorneys or agents before the Patent Office, those rights are circumscribed by the federal objectives of the agency. *Sperry*, supra at page 402 ("Since patent practitioners are authorized to practice only before the Patent Office, the State maintains control over the practice of law within its borders except to the limited extent necessary for the accomplishment of the federal objectives."). In 1985, the PTO published a final rule containing the disciplinary regulations governing this case.[7] The promulgated regulations "govern solely the practice of patent, trademark, and other law before the Patent and Trademark Office (37 CFR § 10.1). The rules fail to define the term "practice before the Office. The rules do define "proceeding before the Office" as

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[7] Federal Register, Vol. 50, No. 25, February 6, 1985, page 51578 et seq.

including "an application, a reexamination, a protest, a public use proceeding, a patent interference, an *inter partes* trademark proceeding or any other proceeding which is pending before the Office" (37 CFR § 10.1(s)); and "Legal service" as "any legal service which may lawfully be performed by a practitioner before the Office" (37 CFR § 10.1(n)).

In the present case, the PTO gave the undefined term "practice before the Office" an overly expansive interpretation to cover conduct not reasonably related to any proceeding pending before the PTO. The PTO could not have charged Petitioner with misconduct in a "proceeding before the Office" because the Federal Circuit already held in *In re Daniels*, supra, that with respect to such matter (the pending "Gilden" design patent applications) Petitioner's conduct was beyond reproach, and if anything it was the PTO that engaged in misconduct. The found ethics violations in this case are overly technical in character and reflect nothing more than "out of the Office" errors in judgment. Thus, with respect to the "conflict of interest" charges, Petitioner is accused of not making disclosures relating to the "guarantee clause" in the AIC contract and/or the amount of legal fees paid to Petitioner by AIC. Similarly, the found ethics infractions with respect to "neglect" relate to the adequacy of Petitioner's "engagement letter" to his clients or to the "promptness" of mailing Office Actions to his clients; errors of judgment -- perhaps bad judgment -- but nevertheless not ethical misconduct in connection with a *proceeding pending before the Office*.[8] Even the

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[8] See *Kroll v. Finnerty*, 242 F.3d 1357 (Fed. Cir. 2001) at page 1365. There, the Federal Circuit held that conduct involving

"evasive" answers alleged to have been given by Petitioner in response to an OED RFI were given in response to questions enquiring about his relationship with an invention marketing company; these questions do not relate to a matter pending before the PTO.

The Federal Circuit and the District Court erroneously gave deference to the PTO's overly expansive interpretation of the term "practice before the Office" under *Chevron U.S.A. v. Natural Resources Defense Council, Inc.*, 467 U.S. 837 (1984). No such deference is deserving. The plain language of the statute limits the PTO's broadest specific powers to "establishing regulations which shall govern *the conduct of proceedings in the Office.*" (emphasis added). 35 U.S.C. § 2(b)(2)(A). Neither lower court considered the latter provision in their respective deliberations. Moreover, Congress did not confer any substantive rule making powers upon the PTO. See *Merck & Co. Inc. v. Kessler*, 80 F.3d 1543 (Fed. Cir. 1996). And, the PTO lacks administrative expertise in attorney discipline matters. *Chevron* supra at page 865, *Martin v. OSHRC et al.*, 499 U.S. 144 (1991) at page 151. Without the benefit of deference, the statute plainly restricts the PTO's statutory authority solely to disciplining practitioners for misconduct in "proceedings before the Office." This is in accord with judicial precedent. In the few reported appellate decisions involving practitioners disciplined by the PTO, all have involved misconduct in proceedings

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communications with a client, specifically failing to notify a client about a Final Rejection, was properly the subject matter of the State Bar Authority because it is the type of conduct "outside the federal objectives of the PTO."

before the Office. See *Kingsland v. Dorsey*, 338 U.S. 318 (1949), (false affidavit filed in a pending application); *Klein v. Peterson*, 866 F.2d 412, 414 (Fed. Cir. 1989), (false mailing certificates in connection with filing papers in applications); *Jaskiewicz v. Mossinghoff*, 822 F.2d 1053, 1058 (Fed. Cir. 1987) (applications filed with improper declarations and deliberately misleading answers given in reply to an OED RFI); and *Lipman v. Dickinson*, 174 F.3d 1363 (Fed Cir 1999), (misleading affidavit filed in connection with an application to register a practitioner). Also in accord is a prior notice of the PTO. See 1985 published Final Rule,[9] wherein the PTO solicitor States: "This provision of § 10.1 is based on language in *Sperry v. Florida ex rel. Florida Bar*, 373 U.S. 379, 402 (1963) and makes clear the PTO's intent to *regulate only conduct related or relevant to practice before the PTO.*" (Emphasis added.)

Inasmuch as the found core ethics violations in this case do not reasonably comprise conduct in connection with "proceedings before the Office," they are exclusively the province of the Bar Authority in the State or States where Petitioner is admitted and under *Sperry*, any attempt by the PTO to usurp that State Bar Authority is a violation of the Tenth Amendment of the U.S. Constitution. *Sperry* at page 403 ("The Tenth Amendment states but a truism that all is retained which has not been surrendered"]. Notwitstanding, because none of the core charges constitutes unethical conduct in a "proceeding before the Office," the PTO lacks the statutory authority to

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[9] Federal Register, Vol. 50, No. 25, February 6, 1985, at page 5158.

disbar Petitioner in any event under the Fifth Amendment of the U.S. Constitution.

Moreover, while § 32 permits "exclusion" for "violation of any promulgated rule," the statute also contains the requirement that there be a showing of incompetence, or disreputable or gross misconduct. These words give "color" to any such rule violation. Therefore, any reasonable interpretation of the statute requires that the rule violation supporting "exclusion" be akin to "gross misconduct," a burden the PTO has not carried in the present case. To rule otherwise leads to the unreasonable and absurd result that the PTO may disbar for any innocuous violation of its enacted rules whatsoever.

There is an inherent conflict between a federal agency's discharge of its administrative or regulatory function and the power of that agency to discipline practitioners recognized to practice before it. In this case, Petitioner was placed under disciplinary investigation immediately after he agreed to represent in good faith the inventors of more than 1,000 pending design applications after their original attorney became suspended. The evidence in the record is clear and convincing that Petitioner was targeted for discipline merely because of doing so. See Deputy Commissioner Kirk's public statement supra. The Federal Court's decision is a dangerous precedent because it is a "chilling factor" discouraging members of the patent bar from taking over the cases of inventors tainted by a prior disciplined attorney. This is especially true with customers of invention marketing companies because their attorneys are chronically targeted for discipline as a result of PTO

policy. There is nothing in the legislative history of the Patent Act insofar as Petitioner is aware to indicate that Congress intended the PTO to become a "federal" State Bar Authority with expanded plenary disciplinary jurisdiction. If the PTO has information that an attorney has mis-conducted with respect to matters that are not reasonably related to "proceedings before the Office," the PTO may easily refer that information to the State Bar where the attorney is admitted. The resources the PTO would expend administering such a "federal" State Bar Authority -- even if it had the expertise which clearly it does not -- would be better spent reducing the ever mounting Patent Office backlog.[10]

II. The Federal Circuit's Decision Directly Conflicts With The Fourth Circuit Court Of Appeals Ruling With Respect To The Inappropriate Use Of OED RFI's By The PTO

Almost immediately after Petitioner agreed to assume prosecution responsibility for the pending "Gilden" design applications, Petitioner was subjected to a steady stream of OED RFIs (App. *infra*. page 23a). Each RFI contained the same threat of non-compliance as follows: "Failure to respond and answer the questions can be construed as a failure to cooperate, and can be submitted to the Committee on Discipline

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[10] "... the backlog, has been growing for over 15 years -- since fiscal year 2002 alone, the backlog has increased by nearly 73 percent to about 730,000 applications." Excerpt from page 1 of report by the U.S. Government Accountability Office, No. GAO-07-1102 U.S. Patent and Trademark Office, September 4, 2007.

for appropriate action." Once an attorney's case is submitted to the Committee, a § 32 administrative disciplinary proceeding invariably results. 37 CFR § 10.132(a) and (b). For many years, the PTO's OED has used such RFIs to harass and intimidate attorneys who choose to accept referrals from invention marketing companies. See comment letter from Advent Product Development, Inc. posted on the PTO web site at *www.uspto.gov/web/offices/pac/dapp/opla/comments/oedrep/advent.html*, and comment letter posted by attorney Richard W. Goldstein at *www.uspto.gov/web/offices/pac/dapp/opla/comments/oedrep/goldstein.html*. Because of the threat of a disciplinary proceeding, and the lack of any avenue of challenge, most attorneys receiving an OED RFI become "terrorized" and immediately agree to cease accepting invention company referrals. Thus, the PTO, with a little ink and a word processor or two, can efficiently and effectively deny to an entire class of inventors "valuable legal services."

In *Goldstein v. Moatz*, supra, the Fourth Circuit struck down the obnoxious use of the PTO's OED RFIs by ruling that the investigator issuing such interrogatories was not entitled to absolute immunity in a "Bivins" action brought prior to initiation of a § 32 disciplinary proceeding. The Court reasoned that RFIs directed at a respondent in a PTO disciplinary proceeding and the information obtained therefrom, whether relied upon by the PTO to support a § 32 proceeding or not, constitute "improper discovery" under the PTO's own disciplinary rules. Those rules permit discovery only after a § 32 proceeding is brought and then, only under the supervision of an ALJ. *Goldstein* at page 218.

The facts in *Goldstein* are virtually identical to those here. Attorney Goldstein was a patent practitioner who represented invention marketing company clients in the PTO and came under disciplinary investigation. After being subjected to multiple RFIs directed at him by OED, Goldstein brought a *Bivins*-type civil damage suit against Mr. Harry I. Moatz, the PTO investigator and other PTO officials alleging that his constitutional rights were violated by the abusive harassing use of the RFIs. The PTO motioned for dismissal claiming their employees were protected by absolute immunity. The Fourth Circuit held that as to non-discretionary acts performed during the investigative stage of the PTO disciplinary scheme no absolute immunity applies. In support of its ruling the court held that the RFIs employed by OED during the investigative stage were "improper discovery" of an attorney being disciplined because the rules of the PTO permit RFIs only in connection with the prosecution of patent applications, and that *discovery of a Respondent in disciplinary cases* is permitted (under the disciplinary rules) only after a § 32 proceeding is brought and then, and only then, under the supervision of an ALJ.

The Fourth Circuit stated that the PTO's OED RFI practice "utterly lacked procedural safeguards" protecting Goldstein's rights and his clients' secrets. *Goldstein* at page 217. The court specifically agreed with attorney Goldstein that "the denial of any avenue of challenge, and the threats of charges for non-compliance, are "indicative of a system lacking sufficient procedural safeguards." *Id.* In the present case, the "evidence" allegedly supporting the found charges was presented to the Disciplinary Committee.

37 CFR § 10.4(b). Much of that "evidence" consisted of information "discovered improperly" from Petitioner through or by one or more OED RFIs. *Ipso facto*, under the rationale of *Goldstein*, the PTO's Final Decision disbarring Petitioner represents an "improper taking" under the Fifth Amendment and should be vacated for this reason alone.

The Federal Circuit's decision in this case is directly contrary to *Goldstein*. Rather than adopt the reasoning of its sister Circuit, the Federal Circuit, in stark contrast, held that the OED RFIs were not necessarily unconstitutional relying upon this Court's decision in *Hannah v. Larche*, 363 U.S. 420 (1960). In *Hannah*,[11] the Civil Rights Commission's *interrogatories* at issue did not contain any explicit "threat of non-compliance" and were in accordance with that agency's rules designed to promote its purely investigatory and fact-finding function. In the present case, the PTO lacks rules permitting the OED RFI's and there is no way for an attorney to protect himself from its adverse consequences or from being abused and harassed. As stated by the majority in *Goldstein* at page 219, "[U]nder the OED's current system, nothing but good conscience would prevent an OED investigator from requiring responses to an unlimited and burdensome array of questions ... and bringing charges against an attorney who fails to comply." This is corroborated by the facts of the present case where no less than about 20 OED RFIs were directed at

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[11] By relying on *Hannah*, the Federal Circuit adopted the dissenting opinion in *Goldstein* thus exacerbating the split between the Circuits.

Petitioner over the five year period 1993-1998, and the preponderance of these RFIs never were used to support any ensuing disciplinary charges. They merely vanished into thin air after Petitioner expended countless hours and treasure in responding to "unlimited and burdensome questions." The conflict over the question of whether the PTO's OED RFIs comply with due process "under the OED's current system" should now be resolved by this Court. Otherwise, patent practitioners will continue to be exposed to abusive or unwarranted use of such "subpoenas" and be compelled to either seek private law suits or invoke the right against self-incrimination in order to "protect his client's secrets" or to "challenge unduly burdensome discovery" not countenanced by the PTO's rules.

III. The Federal Circuit's Decision Ignores Petitioner's Argument That The "Evasion" Charge Violates Procedural Due Process

The Federal Circuit held that substantial evidence supports the PTO's charge that Petitioner's actions were prejudicial to the administration of justice under 37 CFR § 10.23(b)(5) because he failed to give "meaningful answers" to two questions in the OED RFI of September 18, 1998 (App. *infra*. pages 14a-15a). It is a clear denial of procedural due process to add a new charge in an attorney disciplinary proceeding after the administrative hearing. *In re Ruffalo*, 390 U.S. 544 (1968) (Lack of notice that [Petitioner's conduct] would be considered a disbarment offense deprived Petitioner of due process). See also APA § 554(b)(3). Petitioner learned for the first time that answers he gave to certain specific questions were

considered to have been "evasive" -- whatever that indefinite term means -- when he read about it in the ALJ's Initial Decision. Nowhere in the exclusive administrative record of this proceeding is there any mention of specific OED answers that were answered evasively by Petitioner. This issue was not pleaded, litigated or proved by any evidence whatsoever, let alone clear and convincing evidence. Petitioner never has had an opportunity to defend against the charge of "evasive" answers given to specific OED RFI questions. The ALJ did not support his *sue sponte* conclusion with reference to any evidence in the record (there is none) and merely gave his personal opinion acting as it were as "a member of the prosecution team." See *NLRB v. Tamper*, Inc. 522 F.2d 781, 790 (4th Cir. 1975).

In the Final Decision, the PTO's General Counsel merely adopted the finding of the ALJ without any supporting analysis. The Federal Circuit's conclusion regarding "lack of meaningful answers" is not supported by any reference to the record and merely substitutes the court's own thinking for that of the administrative agency. This Court has consistently held that such *post hoc* rationalizations are improper. *S.E.C. v. Chenery*, 332 U.S. 194, 196 (1947). See also *Burlington Truck Lines v. U.S.*, 371 U.S. 156, 169 (1962) ("For the court to substitute their or counsel's direction for that of the agency is incompatible with the orderly functioning of the process of judicial review.").

Finally, and in any event, 37 CFR § 10.23(b)(5) is impermissively vague and indefinite and does not specify that "otherwise evading answering" questions in an OED RFI is misconduct. Nor is "evading

answering" an OED RFI question specifically set forth as being a violation of any other provision of the current disciplinary rules. The language of the RFI itself states that "Failure to respond and answer the questions *can be construed as a failure to cooperate*, and can be submitted to the Committee on Discipline for appropriate action" citing 37 CFR § 10.131(b) ("A practitioner shall cooperate with the Director...;" and 37 CFR § 10.23(c)(16) ("Willfully refusing to reveal ... to the Director contrary to 37 CFR § 10.24 or paragraph (b) of 37 CFR § 10.131). Petitioner has not been charged with "failing to cooperate" or of violating any of these rules. Nor could he be so charged, having answered every one of the about 112 questions posed in the OED RFI. In sum and substance, the PTO disciplinary rules do not fairly require any duty to provide "non-evasive" or "meaningful" answers to an OED RFI, whatever those indefinite terms may mean. The rules only require a "duty to cooperate," a violation of which Petitioner has been exonerated.

The proposed new disciplinary rules (Part 11) give clear support to Petitioner's position by adding new rule § 11.22(l) which specifically makes "evading answering to an OED RFI" a possible ground of misconduct under § 11.804(d). As mentioned, no such specific rule is contained in Part 10, the rules governing this proceeding

IV. The PTO's Final Decision Violates The "Separation Of Functions Clause" Of The Administrative Procedures Act

Under the APA, section 554(d)(2) provides that "[a]n employee "engaged in the performance of

investigative functions for an agency in a case may not, in that case, ... participate in the decision or agency review pursuant to section 557." Following his promotion to OED Director, and more than 6 years after he began to investigate appellant, Mr. Moatz "initiated" the § 32 disbarment proceeding in this case by calling for the Disciplinary Committee to meet and deliberate charges of probable cause against appellant (August 1999). This function of the Director of OED is clearly a discretionary one because it is protected by absolute immunity. *Butz v. Economou*, 438 U.S. 478 (1978) (Officials who are responsible for the decision to initiate or continue a proceeding subject to agency adjudication are entitled to absolute immunity.). That discretionary act, viz. "turning the case over to the Disciplinary Committee," clearly constituted "participation" under the APA because it was an "adjudication" triggering the § 32 proceeding seeking disbarment in this case, and therefore became "part" of a final disposition. 5 U.S.C. § 551(6). It is incomprehensible that the PTO did not consider recusal of Mr. Moatz before initiating the present suit under § 32. See *Morrisey v. Brewer*, 408 U.S. 471, 485 (1972) (parole officer directly involved in case cannot constitutionally determine whether reasonable grounds exist to revoke parole ... "due process requires that ... the determination that reasonable ground exists for revocation of parole *should be made by someone not directly involved in the case*" (emphasis added). The Federal Circuit's decision egregiously overlooks that Mr. Moatz' direct participation in virtually every aspect of this case clearly violated Petitioner's due process rights. This is especially so given the facts that the PTO harbored an intense institutional bias against invention marketing

companies in general, and against Petitioner in particular; Mr. Moatz was so deeply embedded in this case as an investigator; Petitioner complained to Mr. Moatz' superior regarding the investigator's improper conduct (App. *infra*. page 81a); and Mr. Moatz co-authored the PTO's proposed new Disciplinary Rules (Part 11) making several of the violations alleged in this case specific grounds of misconduct. Only by the PTO's interpretation have the Part 10 rule violations been found in this case. In *Withrow v. Larkin*, 421 U.S. 35, 58 (1975), the Court stated that a court is not precluded "... from determining, from the special facts and circumstances present in the case before it, that the risk of unfairness is intolerably high." This is that case.

V. The Federal Circuit Shirked Its Review Responsibility Under The Administrative Procedures Act

The Federal Circuit's review responsibility in this matter is set forth in 5 U.S.C. § 706(2). Under that section of the APA, courts are required to "hold unlawful and set aside agency action ... found to be ... arbitrary, an abuse of discretion, or otherwise not in accordance with law. *Dickinson v. Zirko*, supra. The statute includes the word "shall" and is mandatory upon the reviewing court. The Federal Circuit erred by failing to rule that the penalty of "exclusion" in this case is "otherwise not in accordance with law" because it is barred by the federal statute of limitations set forth in 28 U.S.C. § 2462. That statute holds that "an action, suit or proceeding for the enforcement of any civil fine, penalty, or forfeiture, pecuniary or otherwise, shall not be entertained unless commenced

within five years from the date when the claim first accrued." In *Sheinbein v. Dudas*, 465 F.3d 493 (Fed. Cir. 2006), the Federal Circuit distinguished application of the § 2462 time bar because the "claim" in *Sheinbein* did not accrue before the critical date. Here the critical date is June 20, 1995. It is beyond dispute that the core violations of "conflict of interest" and "neglect," which the Federal circuit found supported by substantial evidence all occurred prior to the critical date. Indeed, in September 1994, long before the critical date, the Deputy Commissioner of Patents made a public proclamation that "steps have already been taken to remove [Petitioner] from the rolls." There can be no substantial evidence of alleged violations that are "otherwise contrary to law."

In the District Court, Petitioner argued (as he had consistently during the administrative proceeding below) that the "extraordinary undue delay" in this matter devastatingly prejudiced Petitioner because the PTO's investigator eventually was promoted to Director of OED and as Director of OED, then was able to initiate suit by "turning the case over" to the Disciplinary Committee. See 37 CFR § 10.132(a) and *District Court Memorandum*, App. *infra*. pages 81a-82a. The District Court could have and should have applied § 2462 to the facts of this case once Petitioner raised the "undue delay" argument because precedential law of the District Court's reviewing appellate court, set forth in *3M Co. v. Browner*, 17 F.3d 1453 (D.C. Cir. 1994) and *Johnson v. S.E.C.*, 87 F.3d 484 (D.C. Cir. 1996), holds that § 2462 applies in an administrative proceeding seeking to revoke a license where, as here, the agency statute is devoid of any time limits by which the revocation proceedings must

be commenced. By the same token, the Federal Circuit, in discharge of its *de novo* review responsibility could have and should have applied § 2462 to the facts of this case, particularly in view of the Federal Circuit's prior decision in *Sheinbein*, and the raising of the very same issue by Petitioner in his Supplemental Brief, ordered by the Federal Circuit (App. *infra*. page 8a). Whether § 2462 confers a federal right upon Petitioner under the facts of this case is a pure question of law which *must* be resolved *de novo* on appeal and the appeals court should use its own or other relevant precedent, not simply those cited to or used by the District Court. *Elder v. Holloway*, 510 U.S. 510 (Sup. Ct. 1994). The Federal Circuit's failure to consider and apply § 2462 to the facts of this case clearly is erroneous and constitutes justice miscarried.

CONCLUSION

For the reasons given above, the petition for writ of certiorari should be granted.

Respectfully submitted,

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December 26, 2007

APPENDIX A

United States Court of Appeals
For The Federal Circuit

2006-1243

[Filed June 21, 2007]

S. MICHAEL BENDER, Plaintiff-Appellant,	)
v.	)
Jon W. Dudas, DIRECTOR, PATENT AND TRADEMARK OFFICE, Defendant-Appellee.	)

Before RADER, *Circuit Judge*, PLAGER, *Senior Circuit Judge*, and LINN, *Circuit Judge*.

LINN, *Circuit Judge*.

S. Michael Bender ("Bender") appeals from a final decision by the United States District Court for the District of Columbia that granted summary judgment upholding a disciplinary action taken by the director of the United States Patent and Trademark Office (the "PTO" or "agency") to exclude Bender from practicing before the PTO. Bender v. Dudas, No. 04-CV-1301 (D.D.C. Jan. 13, 2006) ("SJ Order"). Because the

PTO's findings were supported by substantial evidence, and because the disciplinary action was not arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with the law, we affirm.

I. BACKGROUND

This case involves the PTO's continuing efforts to regulate the conduct of patent agents and attorneys registered to practice before it and to provide assurance to inventors of effective counsel in filing and prosecuting applications for patents in the United States. The background of this case reads like a novel but represents the true story of hopes dashed, fees wasted, and dreams lost by hundreds of individual inventors caught up in the world of self-interested promoters who promise the world and deliver very little.

In the area of patent law, as in most other areas of the law, sophisticated clients generally are able to determine the kinds of legal representation they need and where to find counsel with the skills, integrity, and character appropriate for the matter at hand. Individual inventors, however, are often unfamiliar with even the most basic principles of patent law, do not know where to turn for help, and are vulnerable to those who seek to take advantage of their inexperience. Commonly available sources of guidance often are of little help, either because they are too simplistic or too generalized to be of any particular assistance or because they are too complex to be readily understood. Even mainstream media sources frequently confuse and misunderstand basic intellectual property law precepts. How often do we

read articles confusing the forms of protection applicable to an invention, to a symbol indicating origin, or to a work of authorship with expressions like, "copyrighted his invention," "trademarked his idea," or "patented her textbook"?

The PTO has recognized the need to regulate those who practice before it. To this end, the PTO has determined minimum levels of legal competence and has rigorously administered testing of those who seek to become registered patent agents and attorneys. It has also established minimum standards of ethical conduct expected of registered practitioners and has promulgated rules implementing those standards and providing a mechanism for their enforcement.

For individual inventors, the PTO's listing of registered patent agents and attorneys is a basic resource and an assurance of legal competence and good moral character. But as sophisticated as the PTO is in regulating practitioners who appear before it and in providing information about registered practitioners on its website and in other publicly distributed materials, it frequently finds itself challenged by so-called "invention promoters" who exploit unsophisticated inventors, heap every invention with praise regardless of the merits or the real prospects of legal protection, and entice inventors into engagement agreements filled with hollow guarantees of patent protection and promises of royalty-bearing licenses that seldom yield anything of any significant value.

In seeking to protect the public from unscrupulous invention promoters, the PTO has aggressively sought to monitor and enforce its disciplinary rules against

those registered practitioners who act in concert and participation with these promoters in the prosecution of patent applications before the PTO. This case is about one such practitioner who became complicit in the activities of an invention promoter involving over 1,000 unsuspecting inventors.

These unsuspecting inventors first sought help from American Inventors Corporation ("AIC"), an invention promoter. According to testimony and declarations of past employees and clients, AIC would solicit inventors to present their ideas, tell each inventor that their idea was great, and then perform a patent search. After the search, AIC would conduct a sales presentation that provided the inventor with a positive evaluation of the invention and offered AIC's services in procuring a patent and promoting the invention to manufacturers and other interested parties. The inventor then signed a standard form contract in which he or she paid a flat fee or a combination of a flat fee and a percent of royalty income in exchange for AIC's promise to hire a patent attorney on the inventor's behalf, pay all legal fees associated with prosecuting a patent application, and conduct various marketing activities to promote the invention. AIC also guaranteed that it would refund 100% of the inventor's flat fee if a patent was not procured. The contract did not specify what type of patent would be obtained or in any way explain the differences in protection between a design patent and a utility patent. Indeed, according to past employees and clients, AIC's general policy and practice was to conceal those differences from the inventors.

After the contract was signed, AIC would forward the inventor's disclosure to a patent attorney. Initially, that patent attorney was Leon Gilden. Although a number of the inventors' disclosures indicated that they sought to protect the useful and functional features of the invention—as opposed to ornamentation—Gilden drafted design patent applications in every case. In addition, Gilden allegedly employed draftsmen to add decorative ornamentation or surface indicia to the drawings of the inventions even though such embellishment was not invented by the named inventor. Gilden would send the completed design patent application to AIC, which would get the inventor's signature, and the application would then be filed using Gilden's registration number. At no point did Gilden consult with the inventors regarding the filing of a design patent application or the embellished drawings because, according to a former AIC employee, direct contact between the inventors and the attorney was emphatically discouraged by AIC.

The alleged purpose of this scheme was to make it easier to obtain a patent and to avoid a refund of the inventors' fee under AIC's money-back guarantee. Gilden's alleged involvement in the embellishment scheme prompted the PTO to initiate disciplinary action against him in the early 1990s. The PTO also sent each applicant a Request for Information ("RFI") asking the inventors whether they invented the patterns on the drawings, whether they intended to apply for a design patent over a utility patent, and whether they understood the difference between a design and a utility patent. Ultimately, Gilden

entered into a settlement agreement with the PTO and received a five-month suspension.

In 1993, AIC contracted with Bender, a registered patent attorney, to continue the prosecution of over 1,000 design applications that had formerly been handled by Gilden (the "Gilden applications"). The contract provided Bender with up to $15,000 bi-weekly as compensation for both attorney's fees and prosecution costs. Bender sent each Gilden applicant an engagement letter that included, among other things, the RFI that Gilden had failed to provide to the client and a brief discussion of the differences between a design patent and a utility patent. The engagement letter to each applicant was essentially the same; it did not provide any advice or inquiries that directly related to the particular invention at issue, the type of patent best suited to protect the invention, or the consequences of pursuing a design patent or a utility patent in each particular inventor's case. Furthermore, other than instructing the inventors to respond to the RFIs, Bender did not attempt to determine whether the Gilden applicants had intended to file design patent applications and whether that decision had been made on an informed basis. As the responses to the RFIs indicated, a number of the inventors either did not understand the difference between a design and utility patent or had wanted a utility patent at the time the application was filed. Bender nevertheless continued to prosecute the Gilden applications as design patent applications, taking steps only to have Gilden's improperly added embellishments removed.

In the late 1990s, the Office of Enrollment and Discipline at the PTO began investigating Bender after receiving information indicating that he had violated the PTO's Code of Professional Responsibility. During that investigation, the Office of Enrollment and Discipline sent Bender several RFIs posing questions about his actions and conduct. In August 1999, a meeting of the Committee on Discipline was held in which it was determined that there was probable cause to bring charges against Bender for violations of PTO regulations. An administrative Complaint and Notice dated June 20, 2000, set forth ten counts alleging violations of PTO rules governing attorney conduct.

The charges against Bender were tried before an administrative law judge from March 26 through March 29, 2001. In a thorough 48-page opinion, the administrative law judge found that Bender had violated numerous PTO rules on attorney conduct and that exclusion from practice was warranted. Bender sought review of that initial decision under 37 C.F.R. § 10.154. In an equally thorough opinion, the general counsel for the PTO issued a final decision that adopted some of the violations found in the initial decision and affirmed the sanction of exclusion. Specifically, the general counsel found that Bender had neglected an entrusted legal matter in violation of 37 C.F.R. § 10.77(c); accepted employment where professional judgment may be affected in violation of 37 C.F.R. § 10.62(a) and accepted compensation from a person other than a client without a full disclosure to the client in violation of 37 C.F.R. § 10.68(a)(1); and engaged in conduct that was prejudicial to the administration of justice in violation of 37 C.F.R.

§ 10.23(b)(5). Bender requested reconsideration of the final decision under 37 C.F.R. § 10.156(c). Reconsideration was largely denied.

Bender then filed a petition in the U.S. District Court for the District of Columbia to challenge the PTO's final decision. 35 U.S.C. § 32; 37 C.F.R. § 10.157. Based on the administrative record, Bender and the government filed cross-motions for summary judgment. Bender alleged procedural and due process violations; lack of jurisdiction; improper application of statutes, precedent, and agency regulations; and lack of a factual basis for the administrative law judge's and general counsel's decisions. *See SJ Order*, slip op. at 5. The district court confirmed that there were no genuine issues of material fact with respect to those issues and—in a 50-page opinion—addressed each of Bender's arguments, finding them unpersuasive. *See id.*, slip op. at 7-49. Accordingly, the district court denied Bender's motion for summary judgment and granted summary judgment to the government. *Id.*, slip op. at 50.

Bender filed a timely appeal to this court. Following oral argument, we instructed the parties to submit supplemental briefing addressing the standard utilized by the PTO in determining the sanction of exclusion and the proper standard of review for reviewing that determination. We have jurisdiction pursuant to 28 U.S.C. § 1295(a)(1). *See Wyden v. Comm'r of Patents & Trademarks*, 807 F.2d 934, 937 (Fed. Cir. 1986) (en banc).

II. DISCUSSION

The PTO has statutory authority to suspend or exclude "from further practice before the Patent and Trademark Office, any person, agent, or attorney shown to be incompetent or disreputable, or guilty of gross misconduct, or who does not comply with the regulations established under section 2(b)(2)(D) of this title." 35 U.S.C. § 32. Section 2(b)(2)(D) delegates to the PTO the authority to establish regulations governing the conduct of attorneys practicing before the PTO. *Id.* § 2(b)(2)(D). Pursuant to that statutory authority, the PTO has enacted disciplinary rules, *see* 37 C.F.R. § 10.20(b) (listing the various disciplinary rules), and has established procedures and standards for determining whether those rules have been violated and what sanction should be imposed, 37 C.F.R. §§ 10.130-10.170.

The disciplinary action taken by the PTO is subject to review by the U.S. District Court for the District of Columbia according to the provisions of the Administrative Procedure Act. *See* 5 U.S.C. §§ 702-706; 35 U.S.C. § 32. Under that Act, the agency's choice of sanction is held unlawful only if it is "arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law." 5 U.S.C. § 706; *see also Butz v. Glover Livestock Comm'n Co.*, 411 U.S. 182, 185-86 (1973) ("[W]here Congress has entrusted an administrative agency with the responsibility of selecting the means of achieving the statutory policy 'the relation of remedy to policy is peculiarly a matter of administrative competence.'" (citation omitted)). The underlying factual findings used to support such a sanction are reviewed for substantial evidence.

Lipman v. Dickinson, 174 F.3d 1363, 1367 (Fed. Cir. 1999). We review the district court's decision on summary judgment without deference, reapplying on appeal the same standards applicable to the district court. *Lacavera v. Dudas*, 441 F.3d 1380, 1382 (Fed. Cir. 2006).

Bender argues that substantial evidence does not support the PTO's findings that he violated various disciplinary rules, that the PTO exceeded its authority and violated his constitutional rights, and that the PTO abused its discretion in determining that exclusion was an appropriate sanction. We disagree and address each of Bender's arguments in turn.

A. Substantial Evidence

The agency found that Bender violated multiple regulations governing attorney conduct before the PTO.

1. Section 10.77(c)

First, the PTO found that Bender "neglect[ed] a legal matter entrusted to the practitioner" in violation of 37 C.F.R. § 10.77(c). As the Gilden applicants' responses to the PTO indicated, many of Bender's clients did not appreciate the substantive difference between a design patent and a utility patent at the time the application was filed. Some applicants indicated that they had wanted to file a utility patent application. Although Bender was aware of those responses, he continued to prosecute the Gilden applications as design patents. The brief discussion of the difference between design and utility patents

provided by Bender's engagement letter was an entirely hollow and formalistic gesture because it did not provide any of the Gilden applicants with advice that directly related to the particular inventions at issue, the type of patent best suited to protect these particular inventions and the inventor's interests therein, or the consequences of pursuing a design patent instead of a utility patent. This failure is even more glaring in view of AIC's money-back guarantee that a patent would issue without regard to the type of patent that would be procured. Because design applications had already been filed in each case, and because AIC's money-back guarantee motivated continued prosecution of those applications as design applications, the information provided by Bender's engagement letter was an inadequate response to the confusion demonstrated by his clients' earlier responses to the RFIs. Any reputable attorney would have appreciated that the wholesale filing of design applications under such circumstances and the unauthorized addition of design embellishments were driven in large measure if not entirely by AIC's money-back guarantee. Such an attorney would have identified that motivation to each inventor, explained that such a motivation was not necessarily in the inventor's best interests, educated that inventor on the steps needed either to fix the improperly embellished design applications or to file continuation utility applications, and otherwise advised that inventor on how best to proceed in his or her particular case. As the PTO correctly found, Bender's communications to the Gilden applicants at the outset of his representation fell far short of these minimum standards.

Bender also fell short in neglecting to notify some of his clients of final rejections in their applications until *after* the three-month period for responding to those rejections had expired. Bender does not dispute this failure, but instead explains that he purposefully delayed action in those cases pending the resolution of an appeal in a "test case" that directly related to the rejections.[1] While such an explanation might justify *advising* the client to seek an extension of time under 37 C.F.R. § 1.136 or a stay of proceedings pending resolution of the test case, it does not justify an absolute failure to notify the client at all that a final rejection had issued, let alone the response needed, until after the period for response expired. Although Bender argues that the delayed notification had no adverse impact on the applications, prompt notification of the final rejection accompanied with an explanation of the available options would have given

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[1] After assuming the Gilden applications, Bender filed continuation design applications on the applicants' behalf that amended the original applications by deleting the improperly added patterns from the drawings. In one of those applications, the Board of Patent Appeals and Interferences described the matter as an issue of first impression and concluded that such an amendment constituted "new matter" that did not benefit from the earlier filing date. *See In re Daniels*, 144 F.3d 1452, 1455 (Fed. Cir. 1998). Bender was counsel for that applicant on appeal to this court, and we ultimately reversed the Board's decision. *Id.* at 1457.

Bender's clients the choice as to how best to proceed and would have avoided depriving them of the right to avoid paying late filing surcharges.[2]

Because substantial evidence supports the PTO's determination that Bender neglected to advise his clients on how best to protect their inventions and neglected to promptly inform his clients that final rejections were received in their applications, we see no basis to overturn the decision that Bender violated 37 C.F.R. § 10.77(c).

2. Sections 10.62(a) and 10.68(a)(1)

Second, the agency found that Bender's financial relationship with AIC created a conflict of interest. Specifically, the PTO concluded that Bender's compensation from AIC affected Bender's "professional judgment on behalf of the client" in violation of 37 C.F.R. § 10.62(a) and constituted compensation by one other than the client without "the consent of the practitioner's client after full disclosure" in violation of 37 C.F.R. § 10.68(a)(1). The PTO interpreted section 10.62(a) as requiring, at a minimum, that Bender disclose the extent of his relationship with AIC and explain how AIC's money-back guarantee to procure a patent and its alleged involvement in improperly adding non-invented patterns to the drawings of the Gilden applications could create divergent interests in the continued prosecution of those applications. The

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[2] At the time, AIC had declined to pay for such prosecution costs, and Bender informed the individual clients that they were responsible for any continued prosecution costs and fees.

PTO also interpreted the "full disclosure" requirement of section 10.68(a)(1) as requiring disclosure of the amount that Bender was being paid by AIC. Because both regulations require "full disclosure"—an undefined term that is left to the agency to determine—we defer to these interpretations of the agency's own regulations because they are not "plainly erroneous or inconsistent with the regulation." *Thomas Jefferson Univ. v. Shalala*, 512 U.S. 504, 512 (1994) (quoting *Bowles v. Seminole Rock & Sand Co.*, 325 U.S. 410, 414 (1945)). Because Bender fails to point to any indication in the record that he met the disclosure requirements of 37 C.F.R. §§ 10.62(a) and 10.68(a)(1) as interpreted by the agency, we again see no basis to overturn the PTO's determination that Bender violated those regulations.

3. Section 10.23(b)(5)

Finally, the agency found that Bender "[e]ngaged in conduct that is prejudicial to the administration of justice" in violation of 37 C.F.R. § 10.23(b)(5) by providing the PTO with evasive responses to RFIs. In the RFI dated September 18, 1999, Bender was asked to explain when AIC made the offer to Bender to assume prosecution of the Gilden applications and when Bender accepted that offer. Bender responded by referring to another answer in which he stated only that he had represented the inventors since about 1993. The same RFI also asked Bender whether he had disclosed his financial relationship with AIC to certain clients and whether he had explained to both those clients and AIC that he represented the clients' interests and not AIC's interests. Bender's only response to that question was to object that such a

request was argumentative, indefinite, and based on the false premise that he represented the interests of AIC. The PTO's questions were specific questions directed to Bender's relationship with AIC and his disclosure of that relationship to his clients. His failure to respond to those questions in any meaningful way hindered the PTO's investigation. We therefore conclude that substantial evidence demonstrates that Bender engaged in evasive conduct prejudicial to the PTO's investigation, and we see no basis to overturn the PTO's determination that Bender violated 37 C.F.R. § 10.23(b)(5).

B. The Propriety of the Agency's Regulations and Actions

1.

Bender argues that 35 U.S.C. §§ 2(b)(2)(D) and 32 only authorize the PTO to establish regulations governing the conduct of attorneys "before the Office" and that the regulations at 37 C.F.R. §§ 10.62, 10.68, and 10.77 exceed that authority because they relate to client communications that are not made "before the Office." The language of those statutes indicates that they are broadly directed to service, advice, and assistance in the prosecution or prospective prosecution of applications. *See* 35 U.S.C. § 2(b)(2)(D) (ensuring that attorneys "render to applicants or other persons valuable service, advice, and assistance in the presentation or prosecution of their applications or other business before the Office"); *id.* § 32 (providing for the suspension or exclusion of any attorney that defrauds, deceives, misleads or threatens "any applicant or prospective applicant, or other person

having immediate or prospective business before the Office"). The regulations in question are well within the scope of the enabling statutes. To the extent the phrase "before the Office" in sections 2 and 32 is ambiguous, we defer to the PTO's reasonable interpretation of that phrase as authorizing regulations that govern a patent attorney's communications with and disclosures to a client in connection with the prosecution of applications before the PTO. *See Chevron, U.S.A., Inc. v. Natural Res. Def. Council, Inc.*, 467 U.S. 837, 842-845 (1984); *Lacavera*, 441 F.3d at 1383 ("Because the PTO is specifically charged with administering [35 U.S.C. § 2(b)(2)], we analyze a challenge to the statutory authority of its regulations under the *Chevron* framework.").

2.

Bender also argues that the Fourth Circuit's decision in *Goldstein v. Moatz*, 364 F.3d 205 (4th Cir. 2004), establishes that the PTO's use of RFIs in his disciplinary investigation lacked procedural safeguards and was therefore constitutionally defective. The constitutionality of such RFIs was not at issue in *Goldstein*. Rather, the issue in that case was whether employees of the PTO were entitled to absolute or qualified immunity when conducting a disciplinary investigation. *Id.* at 211. The Fourth Circuit held that the employees were entitled only to qualified immunity, a determination it supported by the fact that such an investigation lacked procedural safeguards to protect the investigated attorney's rights. *See id.* at 217-19. The Fourth Circuit's

decision did not hold that the use of RFIs in a disciplinary investigation was unconstitutional.

As the Supreme Court has recognized, "when governmental action does not partake of an adjudication, as for example, when a general fact-finding investigation is being conducted, it is not necessary that the full panoply of judicial procedures be used." *Hannah v. Larche*, 363 U.S. 420, 442 (1960); *see also id.* at 444-49 (surveying legislative, executive, and judicial investigative agencies and noting that those that appear before such agencies are generally not accorded procedural safeguards). That is because such procedures would unduly stifle the agency in its gathering of facts. *See id.* at 443-44. Here, the PTO issued to Bender RFIs in the course of conducting a nonadjudicative, fact-finding investigation prior to the initiation of any adjudicative proceedings. 37 C.F.R. § 10.131. This type of RFI not only assists the agency in gathering facts, it also protects practitioners by providing them with an opportunity to explain any questionable conduct and present reasons why disciplinary proceedings are not warranted. We therefore reject Bender's arguments based on *Goldstein* that the PTO's use of RFIs in its disciplinary investigation violated his right to procedural due process. We have considered Bender's remaining constitutional arguments and find them unpersuasive.

C. The Sanction of Exclusion

In deciding what sanction to impose, the PTO normally considers "(1) the public interest; (2) the seriousness of the violation of the Disciplinary Rule; (3) the deterrent effects deemed necessary; (4) the

integrity of the legal profession; and (5) any extenuating circumstances." 37 C.F.R. § 10.154(b). Bender argues that exclusion was improper because such a "draconian" sanction was motivated by malice, was punishment oriented, and failed to account for extenuating circumstances.

The PTO properly initiated disciplinary action in this matter based on improper practices conducted in the course of Bender's representation of clients that had been originally represented by Gilden and referred by AIC. After the improprieties surrounding the affairs of AIC came to light, Gilden agreed to a five-month suspension from practice to avoid formal disciplinary proceedings. That sanction was the result of a settlement agreement in which Gilden admitted to violating various regulations. Bender, however, has maintained throughout these proceedings that he has done nothing wrong. Moreover, he has continued to demonstrate a complete lack of remorse despite the clear findings, supported by substantial evidence, that Bender neglected legal matters with which he was entrusted, failed to disclose the conflict created by his financial relationship with AIC, and engaged in conduct prejudicial to justice.

Bender's sanction was not punishment oriented or based on malice. To the contrary, the PTO carefully evaluated and applied the factors outlined by section 10.154(b), including the extenuating circumstances that Bender identified. Specifically, the PTO considered Bender's efforts in litigating the *Daniels* case, the sanctions imposed in similar circumstances, and Bender's age. The PTO also noted that Bender had violated multiple regulations, that his misconduct

was aggravated by specific notice from the outset that the arrangement with AIC was not resulting in adequate consideration of the inventors' needs, and that Bender refused to recognize the impropriety of his conduct or to express any remorse for his actions. The PTO ultimately concluded that Bender's failure to recognize that his conduct was improper created a likelihood that he would continue to violate the same disciplinary rules again and that, as a result, exclusion was necessary. The district court agreed.

Although Bender may have only had the best intentions in mind in assuming prosecution of the Gilden applications, the best of intentions cannot absolve Bender's complicity with AIC in a scheme fraught with deception and adversely affecting a large number of unsuspecting inventors. As an experienced patent practitioner, Bender had to have appreciated that the wholesale practice of filing design applications with unauthorized design embellishments in hundreds of applications was not in the inventors' interests but instead was driven by AIC's money-back guarantee. He should have known that the kind of letter he sent to his newly acquired clients fell far short of the explanation needed to address the distressed circumstances in which his clients were placed by his new employer, AIC. His letter, even though well written and perhaps sufficient as an engagement letter of a client in the first instance, only perpetuated the harm done to the Gilden applicants by treating what had previously transpired as nothing out of the ordinary when the circumstances of this entire matter—and Bender's conflicting interests in particular—were quite extraordinary. Bender's failure to appreciate that fact supports the PTO's

determination that any sanction less than exclusion would not provide the necessary deterrent effect. Because we cannot conclude that the sanction of exclusion is arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law, we have no reason to disturb the PTO's sanction of exclusion from practice.

III. CONCLUSION

For all of the foregoing reasons, we affirm the district court's grant of summary judgment.

AFFIRMED

APPENDIX B

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

Civil Action No.: 04-1301 (RBW)

[Filed March 13. 2006]

S. MICHAEL BENDER,
Plaintiff,

v.

JON W. DUDAS,
Director of the United States Patent and Trademark Office,
Defendant.

MEMORANDUM OPINION

The plaintiff, S. Michael Bender ("Bender"), brings this action against the defendant, Jon W. Dudas ("Dudas"), Director of the United States Patent and Trademark Office ("PTO"), pursuant to 35 U.S.C. § 32 (2000), challenging the Director's Final Decision precluding him from practicing law before the PTO. Complaint ("Compl.") ¶¶ 2, 6. Currently before the Court is the Plaintiff's Motion for Summary Judgment and Memorandum in Support Thereof ("Pl.'s Mot."), requesting this Court to vacate the Director's Final

Decision, and the defendant's Cross-Motion for Summary Judgment, which asks this Court to grant summary judgment in its favor with respect to the Director's Final Decision on the grounds that it was reasonable, lawful, and supported by substantial evidence in the record. Defendant's Cross-Motion for Summary Judgment ("Def.'s Mot."). For the reasons discussed below, the plaintiff's motion for summary judgment is denied and the defendant's motion for summary judgment is granted.

I. Background

Bender is an attorney who has been practicing patent law since 1966. Plaintiff's Statement of Undisputed Material Facts ("Pl.'s Stmt.") ¶ 59. In 1993, Bender assumed the prosecution of a large number of patents before the PTO formerly handled by another attorney, Leon Gilden ("Gilden"). Pl.'s Stmt. ¶ 1. At that time, Gilden was involved in disciplinary proceedings which stemmed from Gilden's filing of over 1000 patent applications "under the auspices" of American Inventor's Corporation ("AIC"), an invention marketing company. *Id.* ¶¶ 2, 3. The disciplinary proceedings resulted from the PTO's discovery that Gilden, or someone associated with his office, had "embellished the drawings in each application with a unique decorative pattern of surface indicia," a tactic allegedly employed for the purpose of obtaining a patent for each application and "avoid[ing] a refund of AIC's service fee under a guarantee clause contained in some, but not all of the contracts between each inventor and AIC." *Id.* ¶ 4. The matter was ultimately settled with Gilden receiving a 5-month suspension from practicing before the PTO. *Id.* ¶ 2.

In assuming Gilden's cases, Bender entered into an agreement with AIC that required the company to pay him for his work and the associated costs on the patent cases. *Id.* ¶ 6. At some point, the PTO discovered Bender's relationship with AIC and began sending him "disciplinary letters in the form of Requirements for Information" ("RFIs"); ultimately the PTO sent Bender at least 20 such letters. *Id.* ¶¶ 7-8, 28. The letters were all signed by Harry I. Moatz ("Moatz"), who was at the time an investigator in the PTO's Office of Enrollment Discipline ("OED"); Moatz eventually became the OED's Director. *Id.* ¶¶ 38, 42, 47. On September 18, 1998, the PTO sent Bender an RFI that required him to answer questions concerning his representation of several clients associated with AIC. Defendant's Statement of Material Facts with respect to which there is No Genuine Issue ("Def.'s Stmt.") ¶ 17. In August, 1999, Moatz called a meeting of the Committee on Discipline ("Committee") to determine whether there was probable cause to bring charges against Bender and presented evidence to the Committee procured during his investigation of Bender. Compl. ¶ 48, 50. The Committee determined that there was probable cause, and an administrative Complaint and Notice of Proceedings, dated June 20, 2000, and signed by Moatz, was served on Bender. *Id.* ¶ 56. The complaint set forth 10 counts alleging violations of the PTO's rules governing attorney conduct in conjunction with Bender's representation of nine AIC related clients and one other client that was associated with another invention promotion company named "Phase 2." Pl.'s Stmt. ¶¶ 33-34. Each count of the administrative complaint related to a particular inventor and multiple rules violations. *See generally* Administrative Complaint ("Admin. Compl.").

Administrative Law Judge ("ALJ") William B. Moran presided over Bender's hearing on the allegations charged in the complaint, which occurred on March 26 through March 29, 2001. Initial Decision of the ALJ ("ALJ Decision") at 1.[1] The ALJ found that Bender had violated several provisions of the PTO's rules on attorney conduct, which resulted in his exclusion from practice before the PTO. ALJ Decision at 44-48. Bender appealed the ALJ Decision and a Final Decision ("GC Decision") was then issued by James A. Toupin (Toupin"), General Counsel of the PTO, which concluded that some of the ALJ's rules violation findings against Bender were in error, but that others were not.[2] Specifically, the GC Decision reversed the ALJ's decision with respect to 18 of the violation findings, and sustained the ALJ's decision with respect to 21 of the violation findings.[3] GC

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[1] Pursuant to Local Rule 83.7, Bender filed a copy of the administrative record with this Court on September 24, 2004. *See* plaintiff's Notice of Filing. The administrative record contains, *inter alia*, the administrative complaint, the administrative law judge's decision and the general counsel's decision. Because both parties rely extensively on the content of these documents, and because this Court's review also depends in part on an examination of these documents, they will be cited to directly throughout this opinion.

[2] The Under Secretary of Commerce for Intellectual Property and the Director of the PTO delegated to Toupin on January 31, 2002, the authority to decide appeals from the initial decision and to issue decisions pursuant to 37 C.F.R § 10.156. GC Decision at 47 n.5.

[3] As indicated, each count of the administrative complaint pertains to a particular client of Bender. With the exception of

Decision at 39-40. Toupin concluded that the ALJ correctly found that Bender violated several PTO disciplinary regulations, which are set forth in Chapter 37 of the Code of Federal Regulations ("C.F.R."). Namely, Toupin found that Bender violated 37 C.F.R. § 10.23(b)(5) (2000), which prohibits PTO practitioners from engaging in conduct that is prejudicial to the administration of justice; 37 C.F.R. § 10.62(a) (2000), which prohibits PTO practitioners from accepting employment where the practitioners's professional judgment may be affected by his own interests; 37 C.F.R. § 10.68(a)(1) (2000), which prohibits PTO practitioners from accepting compensation from a person other than his own client; and 37 C.F.R. § 10.77(c) (2000), which prohibits PTO practitioners from neglecting a legal matter entrusted to the practitioner. GC Decision at 1. As to these violations, the GC Decision thoroughly explained why the ALJ's findings of the violations were both factually and legally correct. GC Decision at 20-36 (internal evidentiary references omitted). The GC Decision also addressed and rebutted Bender's challenges to the ALJ's findings, as well as various arguments raised by Bender. *Id.* Specifically, Bender raised several questions with respect to the sufficiency of the administrative complaint, *id.* at 4-9; the PTO's compliance with the Administrative Procedure Act ("APA"), *id.* at 9-11; the PTO's jurisdiction to sanction practitioners like Bender and the related issue of state

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count 2, which is not at issue in this case because the violation therein was not sustained by the GC Decision, each count consists of four or five core allegations that apply to each of Bender's clients.

law preemption, *id.* at 12; the meeting conducted by the Committee on Discipline and whether its finding of probable cause to file the administrative complaint constituted an adjudication, *id.* at 13; the ALJ's exclusion of certain evidence and whether the exclusions were proper, *id.* at 14-16; whether the ALJ was biased and whether his appointment was proper, *id.* at 16-18; whether expert testimony was required in the case, *id.* at 18; whether the ALJ's decision not to dismiss the counts where witness testimony was not adduced was correct, *id.* at 18-19; whether certain violations found by the ALJ cannot be sustained based on the ALJ's findings of fact and whether other findings of fact were warranted, *id.* at 36-38, and whether the sanction of exclusion from practice before the PTO was appropriate, *id.* at 40.

In response to Bender's Request for Reconsideration of the GC Decision, the PTO, pursuant to 37 C.F.R. § 10.156(c) (2004), issued its decision on July 26, 2004, upholding the GC Decision in its entirety.[4] Defendant's Memorandum of Points and Authorities in Support of his Cross-Motion for Summary Judgment and in Opposition to Plaintiff's Motion for Summary Judgment ("Def's Mem.") at 5.

Now, in this action filed in this Court, Bender raises many of the same objections and arguments that he raised before the PTO, as well as new arguments based on the GC Decision. Currently before this Court are the parties' cross-motions for

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[4] The only correction of the GC Decision was the removal of an erroneous footnote. Def.'s Mem. at 5.

summary judgment. Some of these arguments question the factual basis for the administrative law judge's and general counsel's conclusions. Other arguments allege procedural and due process violations, lack of jurisdiction, and improper application of statutory and case law and agency regulations. Each of these arguments are discussed below.

II. Standard of Review

"Summary judgment is an appropriate procedure for resolving a challenge to an agency's administrative decision when review is based upon the administrative record." *R.D. ex rel. Kareem v. District of Columbia*, 374 F. Supp. 2d 84, 89 (D.C. Cir. 2005) (citing *Richards v. I.N.S.*, 554 F.2d 1173, 1177 & n.28 (D.C. Cir. 1977)). "By its very terms, [the summary judgment] standard provides that the mere existence of *some* alleged factual dispute between the parties will not defeat an otherwise properly supported motion for summary judgment; the requirement is that there be no *genuine* issue of *material* fact." *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 247-48 (1986) (emphasis in original).

The material facts in this case are those that pertain to the disciplinary violations upheld in the GC Decision.[5] This Court's review of the parties' statements of material fact as well as the

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[5] To the extent that the parties' statements of undisputed fact do not address the facts relating to the violations found in the GC Decision, the Court has reviewed the administrative record to determine what facts were presented to the PTO.

administrative record confirms that there are no genuine issues of material fact in dispute with respect to the questions to be decided by this Court. Accordingly, the Court will review each of the parties' claims under the appropriate standard, as set forth in the Administrative Procedure Act. The specific issues to be addressed by this Court are (1) whether the Fourth Circuit's decision in *Moatz v. Goldstein*, 364 F.3d 205 (4th Cir. 2004), has any impact on the case presently before the Court; (2) whether the PTO has the authority to promulgate disciplinary rules and to impose the sanction of exclusion for conduct such as those found in this case; (3) whether the violations are supported by substantial evidence in the record and whether the PTO's interpretations of its disciplinary rules are reasonable; (4) whether there is evidence of bias or prejudgment amounting to a denial of the plaintiff's right to be adjudicated by a neutral decisionmaker; (5) whether the PTO violated the APA with respect to the separation of functions requirement and in dispensing with the notice requirement; (6) whether the administrative complaint was sufficiently specific to comply with the APA; and (7) whether the PTO or the ALJ commited significant procedural errors regarding the plaintiff's hearing and adjudication. Each issue will be discussed in turn.

III. Analysis

A. Impact of the Fourth Circuit's Decision in *Moatz v. Goldstein*

Bender argues that "[a]s a matter of law, the GC Decision in this proceeding is void in view of a dispositive controlling decision handed down . . . in

Goldstein v. Moatz, 364 F.3d 205 (4th Cir. 2004)." Pl.'s Mot. at 17. He contends that the *Goldstein* decision voids the GC Decision and compels this Court to grant his motion for summary judgement. Pl.'s Opp'n at 1-4. Bender also claims, more specifically, that under *Goldstein*, the RFI to which his answers were deemed evasive and thus in violation of 37 C.F.R. § 10.23(b)(5), constituted a request for improper discovery and that the charge of evasion therefore "cannot be supported by substantial evidence as a matter of law." Plaintiff's Opposition ("Pl.'s Opp'n") at 21-22. Further, Bender argues that the PTO acted in bad faith in "concealing" the *Goldstein* decision when issuing its Decision Upon Reconsideration ("DUR") by not mentioning or following the *Goldstein* decision. Pl's Mot. at 1920. Finally, Bender argues that he did not waive the claim that the RFIs amounted to requests for improper discovery because (1) "he frequently contested the 'appropriateness' of the 'improper RFIs'" during the investigation and (2) *Goldstein* is an "intervening change in law" which permits him to advance the argument even if he failed to do so before the agency if the supervening decision has changed the law in his favor and the law was so well-settled at the time of trial that any attempt to challenge it would have appeared pointless. Pl.'s Opp'n at 2 (citing *United States v. Washington*, 12 F.3d 1128, 1139 (D.C. Cir. 1994)).

On the other hand, the PTO contends that *Goldstein v. Moatz* has no bearing on the instant case for several reasons. First, the PTO argues that Bender waived his argument with respect to the impropriety of the RFIs and therefore cannot raise the argument at this time. Def.'s Mem. at 20-21; Reply in Support of

Defendant's Cross-Motion for Summary Judgment ("Def.'s Reply") at 1-3. The PTO further asserts that it did not "conceal" the *Goldstein* opinion (to the extent that was possible), but rather did not cite the opinion because it was not relevant to its decision. Def.'s Mem. at 21. Second, the PTO argues that while *Goldstein* is characterized by the plaintiffs as a "dispositive controlling decision," as a Fourth Circuit decision it is not binding on this Court. *Id.* at 22. Third, the PTO argues that the *Goldstein* decision did not reach the questions of the constitutionality of RFIs and that its discussion concerning the authority of the PTO to issue RFIs was dictum. *Id.* at 23-25. Lastly, the PTO argues that even if *Goldstein* does hold that RFI's are unconstitutional, application of the exclusionary rule to the discovered information is inappropriate because the rule does not apply to administrative proceedings. *Id.* at 27-29.

In *Goldstein*, the plaintiff was a patent attorney who was under investigation for misconduct and was directed by the PTO to respond to RFIs. 364 F.3d at 207-08. *Goldstein* then filed suit against several PTO officials in their individual capacities, seeking damages and declaratory relief in a *Bivens*[6] action arguing, *inter alia*, that the issuance of the RFIs violated his constitutional rights to free speech and due process. *Id.* at 209-10. The district court had held that the defendants were entitled to absolute immunity, and the issue on appeal to the Fourth Circuit was whether the district court's absolute

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[6] *Bivens v. Six Unknown Named Agents of Fed. Bureau of Narcotics*, 403 U.S. 388 (1971).

immunity ruling was correct. *Id.* at 210-11. The Fourth Circuit reversed the district court's decision and found that the defendants were not entitled to absolute immunity because they were performing investigative, as opposed to prosecutorial activities. *Id.* at 215. As a factor that supported denying the officials absolute immunity, the *Goldstein* Court noted that the process of requiring information through RFI's prior to the initiation of formal charges lacked any procedural safeguards. *Id.* at 217. The Court made this point because the "Supreme Court ha[d] indicated that, in assessing whether absolute immunity applies in a particular situation, [courts] should consider whether the system in question contains adequate procedural safeguards, such that private litigation is unnecessary to protect constitutional rights." *Id.* at 217 (citing *Butz v. Economou*, 438 U.S. 478, 512 (1978)). The Fourth Circuit concluded that *Goldstein* lacked the protection he would have been afforded by the formal discovery process, and it therefore remanded the case to the district court to determine whether the defendants were entitled to qualified immunity. *Id.* at 219.

Although the Fourth Circuit noted that the PTO's process of obtaining information through RFIs lacked any procedural protections, nowhere in the opinion did the court hold that the PTO did not have the authority to issue them. Rather, the Fourth Circuit's finding that the officials were not entitled to absolute immunity was based on the notion that attorneys must be provided procedural protections when RFIs are submitted to them. The Court found that "the only available limitation in this system is a private lawsuit; therefore, it is all the more important that the

[d]efendants not be accorded absolute immunity." *Id.* at 219. In other words, the *Goldstein* Court recognized that patent attorneys needed procedural protection from coercive RFIs issued by the PTO, but it did not hold that the PTO lacks the authority to issue them. Lawyers may choose not to respond and seek redress by filing a lawsuit, or they may choose to respond to them. *Goldstein* therefore does not support the proposition which Bender urges, *i.e.*, that the PTO lacks the authority to issue RFIs prior to the initiation of an action under § 32. Accordingly, the Court declines to address any arguments advanced by the plaintiff that are based on the premise that the PTO lacks such authority.

To the extent that Bender's arguments regarding the PTO's lack of authority to issue RFIs are his own independent positions and are not based on his position that *Goldstein* is dispositive or binding, the Court must first determine whether he is raising these arguments for the first time on appeal from the GC Decision, and if so, whether they have therefore been waived. The District of Columbia has instructed that "[t]o preserve a legal or factual argument, we require its proponent to have given the agency a 'fair opportunity' to entertain it in the administrative forum before raising it in the judicial one." *Nuclear Energy Institute, Inc. v. Envtl. Prot. Agency*, 373 F.3d 1251, 1290-1291 (D.C. Cir. 2004). Thus, the general rule with respect to waiver is that "claims not presented to the agency may not be made for the first time to a reviewing court." *Id.* at 1290 (quoting *Omnipoint Corp. v. FCC*, 78 F.3d 620, 535 (D.C. Cir. 1996)).

It is Bender's position that he did not waive his claim that coercive RFIs are, as a general matter, improper. Pl.'s Opp'n at 2. In support of this position, he points to several instances in which he challenged certain specific RFIs as improper. *Id.* In his response to the August 21, 1998 RFI, for example, Bender argued to the PTO that the RFI was "retaliatory," intended to "harass" him, and "[sought] to injure invention marketing companies" and attorneys associated with such companies. *Id.* (citing response to RFI of August, 21, 1998). In response to another RFI, Bender made similar arguments, and also alleged that the RFI was essentially repetitive and an abuse of process. *Id.* (citing response to RFI of September 17, 1998).[7] These and other objections must be considered in light of the fact that Bender responded to numerous other RFI's without objection. Indeed, as pointed out by the PTO in its Opposition, the ALJ questioned Bender about the duty of an attorney to respond to RFIs, asking him, "if the Patent Office sends you a letter and that letter is received by you and you do not make a response would that be . . . at least a technical violation of the duty that a patent attorney owes to the Patent and Trademark Office . . . .?" Def.'s Reply at 2 (citing Administrative Hearing Transcript at 63-64.). To this question, Bender replied: "Yes. It's my opinion that no response would definitely be a violation . . . [b]ut I responded to every letter and there were many, many letters." *Id.* It therefore appears that while Bender objected to certain RFI's on specific grounds, he did not raise the objection that the mere issuance of

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[7] Bender references objections to four RFIs that were submitted to him.

RFIs to attorneys is improper, and that he agreed that as a general matter, patent attorneys had a duty to respond to them.

It therefore appears that Bender is raising his claim about the general impropriety of RFIs for the first time in his appeal to this Court. Nevertheless, it is Bender's position that the claim was not waived because "it is well settled that an intervening change in law permits assertion of a non-pleaded defense on appeal, particularly when it would have been fruitless to do so below before the change in jurisprudence." Pl.'s Opp'n at 2 (citing *Washington*, 12 F.3d at 1139). Thus, because this argument relies on the Fourth Circuit's decision in *Goldstein*, and because, as explained above, *Goldstein* does not stand for the proposition that issuance of RFIs prior to the initiation of a § 32 action is beyond the PTO's authority, Bender's claim that *Goldstein* constitutes a supervening change in law must be rejected. This Court therefore concludes that Bender waived his general challenge to the propriety of the PTO even issuing RFIs, and it therefore declines to address the merits of this argument.[8]

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[8] Even if there was no waiver, the information acquired from the plaintiff was properly considered by the PTO because exclusion pursuant to the exclusionary rule is not an appropriate remedy in administrative proceedings.

B. Does the PTO have the authority to promulgate disciplinary regulations and to impose the sanction of exclusion for the conduct found in this case?

1. The PTO's Statutory Authority to Discipline Attorneys

Bender argues that the PTO lacks the statutory authority to discipline attorneys for conduct such as that found in this case. Pl.'s Mot. at 10; Pl.'s Opp'n at 11, 21. He contends that the regulations promulgated by the PTO with respect to the conduct and discipline of attorneys are beyond the "federal objectives" of the PTO as set forth in 35 U.S.C. § 2(b)(2)(D) (2000). Pl.'s Mot. at 10; Pl.'s Opp'n at 11, 21. Specifically, Bender asserts that the term "before the Office" in § 2, restrict the PTO's authority to regulate the conduct of patent attorneys, and that the regulation in this case exceeds that authority because the conduct at issue in this case does not constitute a matter pending "before" the agency. Pl.'s Mot. at 10; Pl.'s Opp'n at 11, 21.

Where an agency is charged with implementing the statute at issue, the analysis in *Chevron, U.S.A. v. NRDC*, 467 U.S. 837, 842-845 (1984) must be employed to determine whether the agency's interpretation of the statute must be upheld. The familiar two-step inquiry set forth in Chevron is as follows:

> [courts] ask first whether 'Congress has directly spoken to the precise question at issue,'. . . if so . . . this court must give effect to Congress's 'unambiguously expressed intent.' If 'the statute is silent or ambiguous with respect to the specific issue,' [courts] ask whether the

> agency's position rests on a 'permissible construction of the statute.'

Sec'y of Labor, Mine Safety and Health Admin. v. Federal Mine Safety and Health Review Comm'n, 111 F.3d 913, 916 (D.C. Cir. 1997) (citing *Chevron*, 467 U.S. at 843). Where the text of the statute is ambiguous, "the agency's interpretation of the statute is entitled to deference so long as it is 'reasonable' and not otherwise 'arbitrary, capricious, or manifestly contrary to the statute.'" *Motion Picture Ass'n of America v. F.C.C.*, 309 F.3d 796, 801 (D.C. Cir. 2002) (citing *Chevron*, 467 U.S. at 843-44).

35 U.S.C. § 2(b)(2)(D) states that the PTO

> may govern the recognition and conduct of agents, *attorneys*, or other persons representing applicants or other parties before the Office, and may require them, before being recognized as representatives of applicants or other persons, to show that they are of good moral character and reputation and are possessed of the necessary qualifications to render to applicants or other persons valuable service, advice, and assistance in the presentation or prosecution of their applications or other business before the Office.

35 U.S.C. § 2 (emphasis added). Furthermore, 35 U.S.C. § 32 (2000) states, in relevant part, that:

> The Director [of the PTO] may, after notice and opportunity for a hearing, suspend or exclude, either generally or in any particular case, from

> further practice before the Patent and Trademark Office, any person, agent, or *attorney* shown to be incompetent or disreputable, or guilty of gross misconduct, or who does not comply with the regulations established under section 2(b)(2)(D) of this title, or who shall, by word, circular, letter, or advertising, with intent to defraud in any manner, deceive, mislead, or threaten any applicant or prospective applicant, or other person having immediate or prospective business before the Office.

32 U.S.C. § 32 (emphasis added). Pursuant to this authority, the PTO promulgated regulations governing the conduct of attorneys, several of which are implicated in this case. *See, e.g.*, 37 C.F.R. §§ 10.23, 10.62, 10.68, 10.77. Accordingly, this Court must determine whether the PTO's promulgation and enforcement of these regulations is within the authority granted to it by Congress under the standard set forth in *Chevron*, 467 U.S. at 842-845.

While it is clear from the language of 35 U.S.C. §§ 2 and 32 that Congress intended to provide the PTO with the authority to regulate practitioners appearing "before the Office," including attorneys, what is not clear is the scope of this authority. This authority can be construed narrowly to include only those matters "directly involving a proceeding" before the PTO. Pl.'s Opp'n at 12. Under this narrow reading, which is urged by Bender, a failure to disclose a conflict of interest with respect to a particular patent application, for example, would not qualify as being "before the Office." *Id.* at 21. On the other hand, helping a client

to falsify a patent application would qualify. *Id.* The language of the statute may also be read broadly, and would thus include a wider range of conduct relating to representation of a patent applicant or a potential patent applicant. An analysis of the text of the statutes at issue here under *Chevron*, 467 U.S. at 842-45, supports the PTO's broader interpretation.

In 35 U.S.C. § 2, Congress provides that the PTO may adopt regulations to ensure that attorneys "render to applicants *or other persons valuable service, advice, and assistance* in the presentation or prosecution of their applications *or other business* before the Office." 35 U.S.C. § 2 (emphasis added). The language of § 2 is broad in its description of the individuals intended to be covered by the provision, and in the scope of the type of representation it covers. The language in § 32 is also broad in its reach, providing for the suspension or exclusion of an attorney found to have defrauded, deceived, mislead or threatened "*any applicant* or *prospective applicant, or other person* having *immediate or prospective* business before the Office." 35 U.S.C. § 32 (emphasis added). The language of these provisions indicates that the phrase "before the Office" covers even prospective applicants, and suggests that Congress intended the statute to create broad authority. Although the language in § 2 is vague as to the outer limits of the authority intended by Congress, the second step of *Chevron* compels this Court to give substantial deference to the PTO's interpretation and to uphold its interpretation of the statute in this case. *See Chevron*, 467 U.S. at 842-45. Given the language of the statutes at issue, the PTO's interpretation is in no sense "arbitrary, capricious, or manifestly contrary to the

statute." *Id.* at 844. In fact, it also appears that the PTO's interpretation of the statutes seems far more realistic than the interpretation urged by Bender due to the exceedingly narrow bounds of Bender's interpretation. The Court therefore concludes that the PTO did not exceed its statutory authority in prescribing and enforcing the disciplinary rules the plaintiff is challenging.

2. Preemption of state law

Bender cites the Supreme Court's decision in *Sperry v. Florida*, 373 U.S. 379, 402 (1963), for the proposition that the PTO's ability to preempt state law is limited to its "federal objectives," which are strictly limited to the prosecution of patent applications before the PTO, does not include matters that fall under the disciplinary authority of the state bars. Pl.'s Mot at 11; Pl.'s Opp'n at 13-14, 21. While *Sperry* does hold that the PTO's authority to preempt state law is limited to its federal objectives and that states retain control over matters they would normally regulate, 373 U.S. at 402, *Sperry* does not hold that there is a "toggle" switch with respect to state or federal authority to discipline attorneys. The Federal Circuit made this point clear in *Kroll v. Finnerty*, 242 F.3d 1359, 1365 (Fed. Cir. 2001), ruling that the PTO has broad authority to discipline practitioners for misconduct. In *Kroll*, the New York Attorney Grievance Committee sought to discipline a patent attorney who was licensed in New York for conduct related to a patent application. *Id.* The Federal Circuit explained that the Committee was not preempted from acting. *Id.* The Court did not indicate that only the state or the PTO has disciplinary

authority, as Bender suggests. *Id.*; Pl.'s Mot. at 11. Rather, *Kroll* concluded that the state and the PTO share jurisdiction to discipline attorneys in cases where a violation of both PTO regulations and state ethical rules are alleged. *Kroll* at 1365. Accordingly, the PTO's actions in this case do not preempt state law in an impermissible manner, and Bender's contention to the contrary is therefore without merit.

3. The sanction of exclusion

Bender challenges the ALJ's decision to exclude him from the practice of law before the PTO and the GC Decision which upheld the exclusion. Pl.'s Opp'n at 41-46; Appeal Brief Pursuant to 37 C.F.R. § 10.155 (2000) ("Appeal Brief") at 88-100.[9] While he presents numerous arguments as to why the sanction is not appropriate, this Court must adhere to the teachings of *Chevron*, 467 U.S. at 842-845, and *Bowles v. Seminole Rock & Sand Co.*, 325 U.S. 410, 413-414 (1945), and therefore must accord the PTO substantial

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[9] In his Motion for Summary Judgment and Memorandum of Points and Authorities in Support Thereof, Bender primarily argues that the violations found by the PTO were not supported by substantial evidence, that the PTO acted beyond its statutory authority, and that *Goldstein v. Moatz* requires the dismissal of this case. However, in his motion Bender incorporates by reference the arguments raised in his Appeal Brief before the PTO pursuant to 37 C.F.R. § 10.155 (2000), and his subsequent Request for Reconsideration filed pursuant to 37 C.F.R. § 10.156(c). Pl.'s Mot. at 21. Bender sets forth these arguments in his Opposition to the Defendant's Cross-Motion for Summary Judgement. Accordingly, this Court will address all arguments that have been raised by Bender.

deference with respect to its decision that Bender's exclusion was reasonable under the applicable statutes and regulations. Bender's main argument is that 35 U.S.C. § 32 allows the agency to exclude him from practice only if he is shown to be "incompetent or disreputable" or "guilty of gross misconduct." Pl.'s Opp'n at 40; Appeal Brief at 88. The PTO responds, and this Court agrees with its position, that this is not a correct reading of the statute. 35 U.S.C. § 32 provides that

> [t]he Director may, after notice and opportunity for a hearing, suspend or exclude, either generally or in any particular case, from further practice before the Patent and Trademark Office, any person, agent, or attorney shown to be incompetent or disreputable, or guilty of gross misconduct, *or* who does not comply with the regulations established under section 2(b)(2)(D) of this title . . . .

35 U.S.C. § 32 (emphasis added). A plain reading of the statute permits an attorney who violates § 2(b)(2)(D), including Bender, to be excluded from practicing before the PTO. This reading clearly covers Bender because as the ALJ Decision correctly concluded, Congress has provided the PTO with express statutory authority to bring cases such this one. ALJ Decision at 5 (citing *Goldsmith v. U.S. Board of Tax Appeals*, 270 U.S. 117, 122 (1926)). And the sanction of exclusion is not inappropriate because the ALJ did not provide a "reasoned discussion" of each of the factors set forth in 37 C.F.R. § 10.154(b) (2001) as argued by Bender, Pl.'s Opp'n at 40, because this Court is not free to disturb the PTO's decision of exclusion so

long as it is reasonable. *Bowles*, 325 U.S. at 413-414. As explained in the GC Decision, Bender's failure to recognize that his conduct was improper, combined with his assertion that he would continue to associate himself with invention promotion companies, warranted the sanction of exclusion to prevent him from causing harm to future clients. GC Decision at 44. The GC Decision also considered Bender's arguments that alleged improper conduct by the PTO amounted to extenuating circumstances because it hampered his efforts in litigating the *Daniels*[10] case, as well as case law cited by Bender to support his claim that exclusion from practice was excessive given the facts. *Id.* at 41-45. The GC Decision provided an explanation for its rejection of Bender's arguments and provided support for the sanction of exclusion. *Id.* Specifically, the GC Decision explained that 35 U.S.C. § 32 does not require a showing of "incompetent or disreputable conduct" or "gross misconduct" because the statute does not distinguish between the grounds for suspension and exclusion. Id. at 40-41.

The GC Decision also explained that the alleged improper PTO conduct with respect to Bender's litigation of the *Daniels* case did not preclude taking disciplinary action against Bender because it was ultimately his choice to take such a large number of clients, and that it was therefore Bender's actions and

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[10] *In re Daniels*, 144 F.3d 1452 (Fed. Cir. 1998), was a case in which Bender succeeded in "having a large number of design applications revived, after they had been rejected by the PTO for including non-invented indicia in design applications." ALJ Decision at 25 n.25.

not the conduct of the PTO in reviewing the patent applications that were at fault in this case. Pl.'s Opp'n at 41. Moreover, the sanction of exclusion was found to be warranted because improper conduct by the PTO did not mitigate Bender's "failure to ensure that continued prosecution of the application was in fact in the clients' best interests" and that conflicts of interest on Bender's part remained, despite any action of the PTO. *Id.* at 41-42. The GC Decision went on to note that while some violations found in the ALJ Decision were not sustainable, "the core violations upon which the recommended remedy rests, and the only ones specifically discussed in the penalty section of the [ALJ Decision]," namely, Bender's conflicts of interest and failure to give adequate advice to his clients, "have been upheld." *Id.* at 42. The GC Decision further explained that the reversal of the ALJ Decision's finding with respect to count 2 did not mitigate against exclusion because the counts that were upheld nevertheless supported the sanction of exclusion. *Id.* The GC Decision also distinguished the cases cited by Bender to show that the remedy in this case was unduly harsh, explaining that Bender's violations were more serious than those in the cases he cited. *Id.* at 42-44. Finally, the GC Decision explained that Bender's stated intent to continue representing clients associated with invention promotion companies and his failure to recognize that his conduct was improper created the possibility that he would again violate the rules and cause further harm to clients. *Id.* at 44. In light of the explanation provided in the record, both in the ALJ Decision and the GC Decision, the sanction of exclusion is in accordance with both 35 U.S.C. § 32 and 37 C.F.R. § 10.154(b). Accordingly, the Court has no

basis to disturb the sanction of exclusion imposed by the PTO.

C. Are the violations found by the PTO supported by substantial evidence and are the PTO's interpretations of its disciplinary regulations reasonable?

Bender challenges the PTO's findings that his actions violated its disciplinary rules. Pl.'s Mot. at 15-17; Pl.'s Opp'n at 4-10, 14-20, 21-24 While the parties agree that the standard of review is the "substantial evidence" standard, several of Bender's arguments challenge the PTO's interpretation and application of its own disciplinary regulations, rather than the evidence underlying the violations found by the PTO. Pl.'s Mot. 15-17; Pl.'s Opp'n at 4-10, 14-20, 21-24. And there is no question that with respect to the questioned interpretation and application of the disciplinary regulations, the deferential standard set forth in *Bowles*, 325 U.S. at 413-414, and its progeny applies in this case. Under the APA, a reviewing court must set aside agency decisions that are not supported by substantial evidence. 5 U.S.C. § 706(2)(A) (2000); *Throckmorton v. Nat'l Transp. Safety Bd.*, 963 F.2d 441, 444 (D.C. Cir. 1992). The District of Columbia Circuit has reiterated what the Supreme Court explained amounts to "substantial evidence" sufficient to uphold an agency decision. *Morall v. Drug Enforcement Admin.*, 412 F.3d 165, 176 (D.C. Cir. (quoting *N.L.R.B. v. Columbian Enameling & Stamping Co.*, 306 U.S. 292, 299-300 (1939)). *Morall* noted that "[s]ubstantial evidence 'means evidence which is substantial, that is, affording a substantial basis of fact from which the fact in issue can be

reasonably inferred. [Thus,] [s]ubstantial evidence is more than a scintilla, and must do more than create a suspicion of the existence of the fact to be established.'" *Id.* In reviewing a decision to determine whether it was based on substantial evidence, "[t]he court's function is to determine only 'whether the agency . . . could fairly and reasonably find the facts that it did.'" *Robinson v. Nat'l Transp. Safety Bd.*, 28 F.3d 210, 215 (D.C. Cir.1994) (internal citations omitted). Importantly, "an agency decision 'may be supported by substantial evidence even though a plausible alternative interpretation of the evidence would support a contrary view.'" *Morall*, 412 F.3d at 176 (quoting *Robinson*, 28 F.3d at 215). However, while the substantial evidence standard is a deferential standard of review, an agency decision must take contradictory evidence into account in making its determination, and must "reflect attentive consideration" to the ALJ's decision. *Morall*, 412 F.3d at 177. In other words, an agency cannot simply ignore contradictory evidence or the decision of an ALJ in making its final determination. *See, e.g., E. Tenn. Natural Gas Co. v. F.E.R.C.*, 953 F.2d 675, 681 (D.C. Cir.1992). Thus, in reviewing the agency's decision to assess the presence of substantial evidence, the reviewing court must look to the administrative record. *Fed. Power Comm'n v. Transcontinental Gas Pipe Line Corp.*, 423 U.S. 326, 331 (1976) ("[T]he focal point for judicial review should be the administrative record already in existence, not some new record made initially in the reviewing court.") (citing Camp v. Pitts, 411 U.S. 138, 142 (1973)).

With respect to an agency's interpretations of its own regulations, courts must give substantial

deference to what the agency has concluded. *Thomas Jefferson Univ. v. Shalala*, 512 U.S. 504, 512 (1994). The Supreme Court has explained that "[the courts'] task is not to decide which among several competing interpretations best serves the regulatory purpose. Rather, the agency's interpretation must be given 'controlling weight unless it is plainly erroneous or inconsistent with the regulation.'" *Id.* (internal citations omitted) (quoting *Bowles*, 325 U.S. at 414); *see also Martin v. Occupational Safety and Health Review Comm'n*, 499 U.S. 144, 150-51 (1991) (courts should give effect to agency's interpretation as long as it is reasonable where the meaning of the statute is "not free from doubt."); *Lyng v. Payne*, 476 U.S. 926, 939 (1986) (courts must confer substantial deference to an agency's construction of its own regulations.); *Udall v. Tallman*, 380 U.S. 1, 16 (1965) (interpretation of a statute by agency charged with its administration generally is entitled to great deference.)

1. The neglect charges (neglect of entrusted matters)

With respect to the charge that Bender, in violation of 37 C.F.R. § 10.77(c),[11] neglected to notify several of his clients about the rejection of their patent applications in a timely manner, which then required the clients to pay an extension fee if they desired to appeal the rejection, Def.'s Mem. at 8, Bender argues that both the ALJ Decision and the GC Decision failed to take into account why he delayed notifying his

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[11] 37 C.F.R. § 10.77(c) states that "[a] practitioner shall not . . .[n]eglect a legal matter entrusted to the practitioner."

clients about the rejection of their patents. Pl.'s Opp'n at 5-6. Specifically, Bender argues that the timing of the letters was based on the pending decision in the *Daniels* case, and that his decision to delay notifying his clients was therefore not neglect, but rather a tactical decision on his part, designed to save his clients from paying unnecessary appeal fees. *Id.* Bender also argues that the PTO's failure to produce an expert witness to testify as to the meaning of the word "prompt" also resulted in erroneous holdings both in the ALJ Decision and the GC Decision on the issue of his alleged neglect. *Id.* at 6.

In response, the PTO argues that whatever "tactical advantages" Bender's clients may have gained by delaying the filing of appeals, there is no adequate explanation for his failure to inform his clients of the situation in a timely manner, a decision which "simply deprived the client of the option to file within the three-month period and so avoid fees." Def.'s Mem. at 8-9 (citing GC Decision at 26-27). The PTO therefore argues that Bender's failure to provide timely notification with respect to five clients is supported by substantial evidence. Def.'s Mem. at 8-9.

The GC Decision addressed these and other arguments made by Bender with respect to the neglect charges. GC Decision at 20-27. The GC Decision based its conclusion that Bender violated rule 10.77(c) on (1) his failure to advise his clients about the type of patent that should be sought in letters he sent to them on this point, *id.* at 20-25, and (2) his failure to promptly notify his clients of the final rejections of their applications. *Id.* at 25-27. The GC Decision provides an explanation as to why Bender's

justifications for his conduct are not sufficient, and refers to facts in the record in support of its conclusion. *Id.* Specifically, the GC Decision explained that with respect to Bender's failure to promptly notify his clients of the rejection of their design applications (within the three-month period when the payment of a fee to appeal the decisions was not required), his clients would have had more time to decide on a course of action and would have avoided payment of the late filing surcharge. *Id.* The GC Decision found that Bender's justification for the delayed notification of his clients was not plausible, because the action he ultimately took (late notification) was inconsistent with his justification for why he did not notify his clients earlier. *Id.* at 26 (citing Appeal Brief at 31). The GC Decision also concluded that Bender could have notified his clients of the rejections with an explanation that options were available to them, and was professionally obligated to do so. *Id.* at 27. Based on these considerations, the GC Decision found that Bender did not provide an adequate explanation of the reasons for his delay. *Id.* Accordingly, the PTO's decision did not ignore Bender's justifications for his actions, but rather rejected them with specific and persuasive explanations as to why Bender's justifications for his actions were not convincing. The explanation in the GC Decision therefore meets the substantial evidence standard because it "could fairly and reasonably find the facts that it did," *Morall*, 412 F.3d at 176-77, namely, that Bender's explanations for his actions are not plausible.[12] The controversy is

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[12] Importantly, there is no dispute as to *when* Bender notified his clients of the rejections. GC Decision at 8 (citing ALJ Decision at

therefore reduced to whether the undisputed time of notification was or was not "prompt." Furthermore, to the extent that the PTO's decision is based on its interpretation of § 10.77(c), such as Bender's argument regarding the meaning of the term "prompt", the PTO's decision is consistent with language of the regulation. Therefore, it must be upheld by this Court. *Thomas Jefferson Univ.*, 512 U.S. at 512.

2. The conflicts of interest charges

Bender received substantial sums of money from AIC, GC Decision at 27 (citing ALJ Decision at 23), and the ALJ Decision and GC Decision concluded that Bender should have recognized that his interests might diverge from those of his clients and that he was therefore required to inform them about the potential conflict of interests and to obtain his clients' informed consent to represent them. ALJ Decision at 24; GC Decision at 31-32. The ALJ found that Bender violated 37 C.F.R. § 10.62(a)[13] by accepting employment without disclosing that his professional judgment could be affected by his own financial interests. GC Decision at 27.

15-16, 30, 34, 36, 42). The only dispute then is whether his delay in notifying his clients was neglectful, or whether it was justified.

[13] 37 C.F.R. § 10.62(a) states that "[e]xcept with the consent of a client after full disclosure, a practitioner shall not accept employment if the exercise of the practitioner's professional judgment on behalf of the client will be or reasonably may be affected by the practitioner's own financial, business, property, or personal interests."

Bender asserts that the conflicts of interest findings under 37 C.F.R. § 10.62(a) cannot be upheld because he viewed AIC as the agent of the inventors, whom he characterized as his clients, and that his relationship with AIC was not the same as that of a client because he dealt with AIC at arms-length and collected legal fees only after his work was completed. Pl.'s Opp'n at 14. He further asserts that there was no proof of a "conflict" arising from his relationship with AIC based on the evidence adduced at the hearing and that an agent or intermediary acting on behalf of the client does not create a conflict per se, and that indeed, the PTO's own rules sanction such relationships. *Id.* at 17. He also contends that the PTO did not present any evidence that his relationship with AIC "would or reasonably might affect his professional judgment with respect to his representation of his client at the outset of his employment." *Id.* at 18.

The PTO argues, on the other hand, that there were, at the very least, interests that were potentially divergent because there was a 100% money-back guarantee to the clients if the patents were not issued, and further that Bender knew about this guarantee. Def.'s Mem. at 11 (citing RX-31 at 3, 10).[14] While the PTO acknowledges that a practitioner may represent a client where potential conflicts of interest are properly disclosed, the PTO contends that in this case, Bender failed to provide adequate disclosures because

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[14] The parties utilize, as does the Court, the following references to the record: Respondents' Exhibits are referred to as RX, and the PTO's exhibits are referred to as GX, with both references followed by Bates numbers.

he did not explain the extent of his involvement with AIC, and did not address the money-back guarantee and the potential conflicts arising from AIC's addition of the non-invented features to the patent applications. *Id.* at 12 (citing GC Decision at 31). The PTO also contends that Bender violated 37 C.F.R. § 10.68(a)(1)[15] because full disclosure pursuant to the regulation requires disclosure as to the amount of the payments a practitioner receives from other sources, and that the record shows that Bender failed to do this. Def.'s Mem. at 13-14 (citing ALJ Decision at 15; GC Decision at 34-35).

The GC Decision addressed the very same arguments Bender makes here, and concluded that the conflict charges were amply supported by the evidence. GC Decision at 27-33. The GC Decision discusses with specificity the reasons supporting its conclusion that there were conflicts between Bender's interests and those of his clients, pointing to Bender's significant financial interests, the issue of whether AIC or the inventors were culpable for the added surface drawings, and the money-back guarantee. *Id.* at 27-29. The GC Decision also explained why, in the ALJ's view, there was no full disclosure as to the conflicts and lack of effective consent by the clients. *Id.* at 30-33. These explanations sufficiently establish that there was substantial evidence in the record to

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[15] 37 C.F.R. § 10.68(a)(1) provides that "[e]xcept with the consent of the practitioner's client after full disclosure, a practitioner shall not . . .[a]ccept compensation from one other than the practitioner's client for the practitioner's legal services to or for the client."

uphold the ALJ's decision. Furthermore, the GC Decision specifically addressed and rejected Bender's "arms-length" argument, the essence of which was that Bender was not dealing closely with AIC, but was representing his clients directly with AIC as their agent. GC Decision at 33. The record therefore establishes that there was sufficient evidence to conclude that Bender violated 37 C.F.R. § 10.62(a).

The GC Decision also explained why there was a finding of a lack of full disclosure pursuant to 37 C.F.R.§ 10.68(a)(1) with respect to Bender accepting funds from a source other than his clients. GC Decision at 34 (citing ALJ Decision at 15 (citing Transcript at 231-233)). Specifically, the GC Decision explained that "full disclosure" within the meaning of the regulation includes disclosure of the *amount* of the payment received from a third party. *Id.* at 34 (emphasis added). This conclusion was based on the PTO's interpretation of its own regulation and must therefore be given substantial deference. *Thomas Jefferson Univ.*, 512 U.S. at 512. And the PTO's interpretation of the regulation is reasonable and is not "plainly erroneous or inconsistent with the regulation." *Id.* (quoting *Bowles v. Seminole Rock & Sand Co.*, 325 U.S. 410, 414 (1945). Indeed, the regulation states that "[e]xcept with the consent of the practitioner's client after *full* disclosure, a practitioner shall not . . . [a]ccept compensation from one other than the practitioner's client for the practitioner's legal services to or for the client." 37 C.F.R. § 10.68(a)(1) (emphasis added). Therefore, Bender's argument that the rule was erroneously interpreted by the PTO must be rejected. As additional support for this Court's conclusion, the GC Decision also pointed to evidence

discussed in the ALJ Decision that demonstrated that Bender failed to make full disclosure in accordance with the regulations. GC Decision at 34; ALJ Decision at 15 (noting that one of Bender's clients "was not apprised of the amount [he] was billing A.I.C. for his legal services."). Accordingly, the Court concludes that the evidence set forth in the ALJ Decision and the GC Decision with respect to Bender's conflicts of interest amounts to substantial evidence of this conclusion.

3. The evasion charges

The PTO found that Bender violated 37 C.F.R. § 10.23(b)(5) by allegedly "engaging in conduct prejudicial to the administration of justice, when he provided evasive answers to RFIs served upon him on September 18, 1998." Def.'s Mem. at 14 (citing ALJ Decision at 30-31; GC Decision at 35-36; GX-1 at 190). Bender argues that the evasion charge under 37 C.F.R. § 10.23(b)(5) was not supported by the record and that the answers he provided in response to the RFI were not evasive. Pl.'s Opp'n at 21-24. Further, he argues that the ALJ failed to explain how the answers were evasive. *Id.* at 23. He also argues that the administrative complaint did not specify the questions to which his answers were deemed evasive and that the finding itself was based on the issuance of "improper" RFIs.[16] *Id.* at 22-24. On the other hand, the PTO argues that "[t]he ALJ's decision specifically

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[16] Bender's argument with respect to the RFIs was addressed in the section of this opinion that addresses the impact of the *Goldstein* decision on the RFIs at issue in this case. *See supra* Section III.A., pp. 7-11.

addressed [Bender]'s evasion of several questions," identifying the relevant questions, and contends that Bender "could and should simply have stated that he did not make the disclosures which the [PTO] required, and, if he wished, explained why he did not believe they were legally required." Def.'s Mem. at 14-15 (citing GX-1 at 193, 197-198, 212, 214-215).

37 C.F.R § 10.23(b)(5) provides, in part, that "[a] practitioner shall not . . . engage in conduct that is prejudicial to the administration of justice." 37 C.F.R § 10.23(b)(5). Consequently, the GC Decision upheld the evasion finding only with respect to the September 18, 1998 RFI, as it was the only one specifically identified in the administrative complaint and "[o]nly with respect to Count 1 [did] the ALJ Decision make specific findings of evasion that clearly relate[d] to the charged conduct." GC Decision at 35. Specifically, the ALJ considered Bender's answers to several specific questions and determined those answers to be evasive. Def.'s Mem. at 14-15; ALJ Decision at 30. Moreover, the GC Decision, which discussed the finding of evasion alleged in Count 1, explain[ed] that the answers were evasive on their face and that the record therefore supported that finding. GC Decision at 35. In reaching this conclusion, the GC Decision rejected Bender's argument that there was no evidence in the record to support the charge. *Id.* Importantly, Bender did not explain how the answers were not evasive, and apparently did not do so at his hearing. Based on the record, the finding of evasion was supported by substantial evidence. The Court also finds that the specific discussion of the answers deemed to be evasive is sufficient to uphold the finding, given that the

"evasive" nature of the answers is apparent on their face, and the requirement that the agency's determination of what constitutes evasion under § 10.23(b)(5) be accorded substantial deference. *Bowles*, 325 U.S. at 414.

D. Is there evidence in the record of bias or prejudgment amounting to a denial of the plaintiff's right to be adjudicated by a neutral decisionmaker?

1. Prejudgment and Institutional bias

Bender contends that his case was prejudged, and points to the statements of certain PTO officials as evidence that an "institutional bias" pervaded the PTO's investigation and adjudication of his case. Pl.'s Mot. at 4-5, 9; Pl.'s Opp'n at 24-26. For one, he relies on the statements of Michael Kirk, former Deputy Commissioner of Patents and Trademarks, made during his testimony to the Senate Subcommittee on Regulation and Government Information in 1994. *Id*; Pl.'s Stmt.¶ 12. Specifically, Kirk made the following statements:

> [W]e have taken two individuals off the rolls and we have cases pending against four others . . . [;]it is a very small percentage [of the registered patent attorneys], but nonetheless bad apples create very bad situations . . . The ones that we are dealing with were working with the invention promotion companies . . .[b]ut [] they are not properly representing their clients' interests. They are working more for the invention development firm and so we

> have taken action against them to take them off the rolls.

Id. Although Kirk did not mention him by name, Bender contends that he was one of the attorneys being referenced by Kirk as "bad apples" for three reasons: (1) when the statement was made, he was being investigated by the PTO; (2) the facts involving the attorneys mentioned were the same as those in his case, that is, situations where drawings had been added to design applications; and (3) information he has about three other attorneys who were excluded from practice logically leads to the conclusion that he was the fourth attorney Kirk mentioned. Pl.'s Opp'n at 26. He also points to the statement of Q. Todd Dickinson, a former Commissioner of Patents and Trademarks, who stated that invention promotion companies are like "weeds" or "cockroaches" and need to be "more aggressively stamped out." Pl.'s Mot. at 9. Bender contends that these statements reveal an "institutional bias" against any attorney affiliated with an invention promotion company, and thus an institutional bias with respect to him personally, making it impossible for him to receive a fair adjudication. Pl.'s Opp'n at 24-26.

The PTO responds that Bender's theory regarding the PTO's animus against invention promotion companies and consequently against him are merely "speculative allegations." Def.'s Mem. at 15. The PTO notes that the officials Bender identified never referred to the situation involved in this case or mentioned him by name. *Id.* In addition, the PTO contends that Bender fails to cite any record evidence in support of his theory or even to allege that the

theory would form a basis for overturning the PTO's decision, even if true. *Id.* at 16.

Where a violation of due process resulting from bias is alleged, the complaining party bears the burden of showing "a risk of actual bias or prejudgment" and must "overcome the presumption of honesty and integrity in those serving as adjudicators." *Withrow v. Larkin*, 421 U.S. 35, 47 (1975). The Supreme Court has held that earlier statements about a position on an issue of law or policy is not a sufficient basis to disqualify a decisionmaker. *See, e.g., Hortonville Joint Sch. Dist. No. 1 v. Hortonville Educ. Assn.*, 426 U.S. 482, 493 (1976) ("Mere familiarity with the facts of a case gained by an agency in the performance of its statutory role does not, however, disqualify a decisionmaker. Nor is a decisionmaker disqualified simply because he has taken a position, even in public, on a policy issue related to the dispute . . . ."); *Laird v. Tatum*, 409 U.S. 824, 831-838 (1972); *Fed. Trade Comm'n v. Cement Inst.*, 333 U.S. 683, 700 (1948). In order to prevail on the claim that he was denied due process because the decision maker was biased, Bender must show that the "decision maker [was] 'not capable of judging a particular controversy fairly on the basis of its own circumstances.'" *NEC Corp. v. United States*, 151 F.3d 1361, 1373 (Fed. Cir. 1998) (quoting *Hortonville*, 426 U.S. at 493) (internal quotations omitted), *cert. denied*, 525 U.S. 1139 (1999). This standard can be met, for example, by showing that "the decision maker's mind is 'irrevocably closed . . . .'" *Id.* (quoting *Cement Inst.*, 333 U.S. at 701).

In *Cement Institute*, prior to the filing of a complaint by the Federal Trade Commission ("FTC" or

"Commission") against, *inter alia*, cement industry businesses, alleging antitrust violations, the Commission, or some of its members, had concluded that the system used in the industry amounted to a restraint of trade in violation federal antitrust legislation. *Id.* at 687, 700-01. In ruling on whether the Commission should have granted the industry's request that the Commission disqualify itself, the Supreme Court assumed that "an opinion [on the issues under consideration] had been formed by the entire membership of the Commission . . ." *Id.* at 700. Nonetheless, the Court rejected the argument that the Commission had prejudged the issues or was biased. *Id.* at 700-701. The Court concluded:

> the fact that the Commission had entertained such views as a result of its prior *ex parte* investigations did not necessarily mean that the minds of the members were irrevocably closed on the subject of the respondents' basing point practices. . . .[The members of the industry] produced evidence–volumes of it. They were free to point out to the Commission by testimony, by cross-examination of witnesses, and by arguments, conditions of the trade practices under attack which they thought kept these practices within the range of legally permissible business activities.

Id. at 701. Similarly, in *Keating v. Office of Thrift Supervision*, 45 F.3d 322 (9th Cir. 1995), the Director of the Office of Thrift Supervision had made statements which indicated that he had prejudged the facts of a case that was before the agency. *Id.* at 327. But, the Ninth Circuit held that these statements,

along with other factors, did not result in an unfair decision because the agency head resigned before the ALJ issued his decision, and the final order was also issued by another official. *Id.* While finding the former Director's comments troubling, the *Keating* Court determined that his role in the ultimate decision was minor, and that the agency therefore did not violate the neutral decisionmaker requirement. *Id.* On the other hand, in *Cinderella Career and Finishing Sch., Inc. v. FTC*, 425 F.2d 583 (D.C. Cir. 1970), the Circuit Court for this Circuit held that FTC committed a due process violation because its Chairman made statements that indicated prejudgment of both the law and the facts of a particular case while the appeal from a hearing examiner's decision the Examiner's case was pending before him. *Id.* at 589-91.

Here, the facts of this case do not rise to a level that would warrant a finding that there was prejudgment or institutional bias against Bender. Like the agency decisions in *Keating*, the initial and final decisions here were not those of the individual who made the comments at issue. *Keating*, 45 F.3d at 327. The individuals in this case had left the PTO prior to the issuance of the GC Decision, and the actual decision makers (the ALJ and Toupin) did not personally make any statements that would indicate bias. Thus, this case is distinguishable from *Cinderella* on this crucial point because there, the biased statements were made by the decision maker, who at the time had the case pending before him. *Cinderella*, 425 F.2d at 589. Furthermore, *Cinderella* involved statements made in a public speech, which the Court found different than a pre-decision press release that expresses concern about the activities of a party. *Id.* at 590. The

comments at issue in this case were general in nature and reflected opinions essentially related to a policy position. *See Cement Inst.*, 333 U.S. at 700. In any event, to the extent the statements made by Kirk and Dickinson pertain to the facts of Bender's case, they are exceedingly vague and do not identify Bender by name, and Bender's contention that the statements were specifically directed at him is highly conjectural. Moreover, they do not provide an adequate basis for this Court to conclude that the agency as a whole prejudged the facts of his particular case, and thereby, failed to provide him with a neutral decision maker. Under these circumstances, the Court concludes that Bender has not provided proof of prejudgment or institutional bias sufficient to show a violation of the neutral decision maker requirement. *Keating*, 45 F.3d 322 at 327.

Bender also alleges that the Committee on Discipline was tainted because one of its members (Rolla) knew that the PTO had a policy which was hostile to invention promotion companies and that Bender was affiliated with such a company. Pl.'s Opp'n at 30; Appeal Brief at 79. The Court rejects this argument because Bender has failed to offer any proof that this was indeed the case, and thus has not established "a risk of actual bias or prejudgment," which is necessary to "overcome[] [the] presumption of honesty and integrity in those serving as adjudicators . . . ." *Withrow*, 421 U.S. at 47. Indeed, Bender himself acknowledges that this argument is based on speculation. Pl.'s Opp'n at 30 ("Even though Mr. Rolla's vote was not necessary for a majority, there is no way to know whereby his influence upon the others can be quantitatively measured."). Accordingly,

Bender has failed to show either prejudgment or institutional bias.

2. Was there bias on the part of the ALJ?

Bender further argues that the ALJ was biased because during his hearing the ALJ made remarks that Bender characterizes as "intemperate" and "hostile." Pl.'s Opp'n at 35; *see also* Appeal Brief 102-109. He also argues that the ALJ "mischaracterized" or "belittled" his evidence. Pl.'s Opp'n at 36. He further contends that the ALJ's "*sua sponte*" conclusions with respect to certain findings of fact and law are not supported by evidence. *Id.* at 36-37.[17] In response, the PTO argues that there is no indication of bias on the part of the ALJ, and that his unfavorable statements about Bender constitute "reasonable inferences from the record." Reply in Support of Defendant's Cross-Motion for Summary Judgment ("Def.'s Reply.") at 21. Furthermore, the PTO argues that there is no evidence in the record of "deep-seated favoritism or antagonism" against Bender by the ALJ. *Id.* (citing *Liteky v. U.S.*, 510 U.S. 540, 555 (1994)).

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[17] For the reasons explained above, the findings of the ALJ on the charges upheld in the GC Decision are supported by substantial evidence and this Court therefore declines to address in this section of the opinion Bender's argument that there was not substantial evidence in the record to support the ALJ's conclusions.

Bias on the part of a decision maker sufficient for disqualification is difficult to prove. As the Supreme Court has stated:

> opinions formed by the judge on the basis of facts introduced or events occurring in the course of the current proceedings, or of prior proceedings, do not constitute a basis for a bias or partiality motion unless they display a deep-seated favoritism or antagonism that would make fair judgment impossible. Thus, judicial remarks during the course of a trial that are critical or disapproving of, or even hostile to, counsel, the parties, or their cases, ordinarily do not support a bias or partiality challenge.

Liteky, 510 U.S. at 555. The *Liteky* Court cited *Berger v. United States*, 255 U.S. 22 (1921), a German espionage case from World War I where the Judge stated that "'[o]ne must have a very judicial mind, indeed, not [to be] prejudiced against the German Americans' because their 'hearts are reeking with disloyalty[,]'" as an example of impermissible bias, *i.e.*, "such a high degree of antagonism as to make fair judgment impossible." *Liteky*, 510 U.S. at 555 (quoting *Berger*, 255 U.S. at 28). On the other hand, the Court noted that "expressions of impatience, dissatisfaction, annoyance, and even anger, that are within the bounds of what imperfect men and women . . . sometimes display" are not sufficient to show impermissible bias. *Id.* at 555-56. Thus, the Court explained that only rarely will remarks by the adjudicator rise to the level of impermissible bias. *Id.* at 555. Furthermore, the *Liteky* Court explained that bias should not be imputed

to a judge where the judge declines to find all or most of the evidence put forth by a party credible. *Id.* Indeed, as the Supreme Court has noted, "in the determination of litigated facts, the testimony of one who has been found unreliable as to one issue may properly be accorded little weight as to the next. Accordingly, total rejection of an opposed view cannot of itself impugn the integrity of competence of a trier of fact." *N.L.R.B. v. Pittsburgh S.S. Co.*, 337 U.S. 656, 659 (1949). Thus, the District of Columbia Circuit explained, "[a] trial judge must be free to make rulings on the merits without the apprehension that if he makes a disproportionate number in favor of one litigant, he may have created the impression of bias. Judicial independence cannot be subservient to a statistical study of the calls he has made during the contest." *S. Pac. Commc'ns Co. v. Am. Tel. and Tel. Co.*, 740 F.2d 980, 995 (D.C. Cir. 1984). And the Circuit Court has applied the *Liteky* standard to ALJs in the administrative hearing context. *See e.g., Pioneer Hotel, Inc. v. N.L.R.B.*, 182 F.3d 939, 944 (D.C. Cir. 1999).

Here, none of the ALJ's remarks identified by Bender reveal bias which "display a deepseated favoritism or antagonism that would make fair judgment impossible." *Liteky*, 510 U.S. at 555. While some of the remarks do evidence a frustration with Bender and a sense that his positions and evidence lack credibility, both the Supreme Court and the District of Columbia Circuit have made it clear that a judge who forms views or opinions within the context of the hearing, including those causing frustration or hostility toward one of the parties, do not exhibit disqualifying bias. *Liteky*, 510 U.S. at 555; *Pittsburgh*

S.S. Co., 337 U.S. at 658; *S. Pac. Commc'ns Co.*, 740 F.2d at 995. Accordingly, Bender has failed to show that the ALJ was impermissibly biased against him.

E. Did the PTO violate the APA by failing to provide Bender with written notice of the disciplinary violations and the opportunity to demonstrate or achieve compliance with its disciplinary regulations before initiating the disciplinary proceedings?

Bender next argues that the PTO violated § 558(c) of the APA, 5 U.S.C. § 558(c) (2005), by failing to (1) give him notice of the facts or conduct which may result in disbarment and (2) the opportunity to show that he had complied or to bring himself into compliance with the regulations he was found to have violated. Pl.'s Opp'n at 27-29; Motion for Reconsideration pursuant to 37 C.F.R. § 10.156(c) ("Mot. for Recon.") at 7-10. In essence, Bender argues that the decision of the PTO to bring the case against him was subject to the requirements of § 558(c) of the APA, and therefore, he did not receive the required notice and opportunity to demonstrate compliance, or to bring himself into compliance, as called for by the APA. Pl.'s Opp'n at 27-28. Further, Bender argues that if PTO deemed these requirements unnecessary, such a determination under § 558(c) could be made only upon a finding of either willfulness or the need to act in the public interest, and that an "adjudication" of this nature was not made before the disciplinary proceedings against him were initiated. *Id.* The precise question raised by Bender is therefore whether the PTO's decision to initiate disciplinary proceedings against him had to be preceded by compliance with the requirements of § 558(c).

The PTO argues that its decisions made prior to the ALJ hearing, such as the decision to bring the administrative proceeding against Bender, "are not subject to the APA's judicial review provisions." Reply in Support of Defendant's Cross-Motion for Summary Judgment ("Def.'s Rep.") at 16. The PTO contends that "§ 558(c) does not, by its terms, require any proceeding whatsoever to determine whether its notice and opportunity requirements apply in a particular case" because the decision does not constitute an "agency proceeding." *Id.* at 16-17.

Section 558(c) of the APA states that "*[e]xcept in cases of willfulness* or those in which public health, interest, or safety requires otherwise, the withdrawal, suspension, revocation, or annulment of a license is lawful only if, before the institution of agency proceedings therefor, the licensee has been given – (1) notice by the agency in writing of the facts or conduct which may warrant the action; and (2) opportunity to demonstrate or achieve compliance with all lawful requirements." 5 U.S.C. § 558(c) (emphasis added). "Willfulness" under § 558(c) has been defined as "an intentional misdeed or such gross neglect of a known duty as to be the equivalent thereof." *Capitol Packing v. United States*, 350 F.2d 67, 78-79 (10th Cir.1965). In addition, a violation has been deemed willful if "the violator '(1) intentionally does an act which is prohibited, – irrespective of evil motive or reliance on erroneous advice, or (2) acts with careless disregard of statutory requirements . . . .'" *Potato Sales Co., Inc. v. Dep't of Agric.*, 92 F.3d 800, 805 (9th Cir.1996) (quoting *Lawrence v. Commodity Futures Trading Comm'n*, 759 F.2d 767, 773 (9th Cir.1985)). The District of Columbia Circuit has held that a formal

determination as to willfulness is not required prior to bringing a complaint. *Finer Foods Sales Co., Inc. v. Block*, 708 F.2d 774, 778 (D.C. Cir. 1983) ("The petitioner argue[d], however, that the Secretary's action was impermissible because, prior to instituting the disciplinary proceeding, he did not make a formal determination of willfulness. Nothing in the Administrative Procedure Act imposes that requirement or supports the petitioner's apparent contention that the determination of willfulness itself may be made only after a hearing."). Rather, an officer making a determination of willfulness must know the "extent and character of the violations, [so as to provide] an adequate basis for making that determination." *Id.*

Finer Foods dealt with the issue of what is required for a finding of willfulness sufficient to dispense with the APA's "opportunity to demonstrate or achieve compliance . . . requirements." *Id.* at 777. There, the petitioner was "a licensee under the Perishable Agricultural Commodities, 7 U.S.C. §§ 499a-499s . . . ," *id.* at 776, who was found to have failed to pay for agricultural goods acquired in 24 transactions in violation of that Act. *Id.* at 777. The petitioner did not dispute that the payments had not been made, but argued that the Secretary of Agriculture's decision that Finder Food's conduct amounted to "flagrant and repeated violations," *id.*, "was impermissible because, prior to instituting the disciplinary proceeding, he did not make a formal determination of willfulness." *Id.* at 778. The District of Columbia Circuit rejected the petitioner's argument, finding that "[n]othing in the [APA] imposes that requirement or supports the . . . contention that the determination of willfulness itself

may be made only after a hearing;" that "[i]f . . . the violations were willful, the requirement . . . of opportunity for correction of the violations is inapplicable;" that "[w]hen the Secretary instituted the disciplinary proceeding without first giving [Finer Foods] the opportunity to cure the violation, necessarily he determined that the violations were willful;" and, that "[s]ince at that time [the Secretary] already knew the extent and character of the violations, he had an adequate basis for making that determination." *Id.*

Here, Bender's argument with respect to willfulness must be rejected under the law of this Circuit. First, there was no requirement that an adjudication of willfulness be made prior to the institution of the disciplinary proceedings. Second, in any event, Bender's conduct, which was found to constitute neglect, failure to disclose conflicting financial interests and evasion in violation of the PTO's regulations can properly be classified as "willful" conduct as defined and found in *Finer Foods*. Lastly, the Director of the OED had knowledge as to both the extent and character of Bender's violations, and therefore had an adequate basis to conclude that Bender's conduct was willful and thus dispense with the APA's notice and opportunity to demonstrate or achieve compliance requirements before disciplinary proceedings were initiated.

F. Did the PTO violate the APA's separation of functions requirement?

Bender argues that the PTO violated the separation of functions requirement, as mandated in

5 U.S.C. § 554(d), by allowing Harry Moatz to investigate the allegations against him, and then to also permit Moatz to participate in the deliberations of the Disciplinary Committee that decided to bring the administrative complaint against him, as well as allowing him to then prosecute Bender at the ALJ hearing. Pl.'s Opp'n at 29; Appeal Brief at 77-78. The PTO responds that the determinations and processes in which Moatz participated were not subject to the proscription of § 554(d). Def.'s Rep. at 17-18.

Section 554(d) of the APA states that

> [a]n employee or agent engaged in the performance of investigative or prosecuting functions for an agency in a case may not, in that or a factually related case, participate or advise in the decision, recommended decision, or agency review pursuant to section 557 of this title, except as witness or counsel in public proceedings.

5 U.S.C. § 554(d). Further, the relevant PTO regulation provides that

> [t]he Committee on Discipline shall meet at the request of the Director and after reviewing evidence presented by the Director shall, by majority vote, determine whether there is probable cause to bring charges under § 10.132 against a practitioner. When charges are brought against a practitioner, no member of the Committee on Discipline, employee under the direction of the Director, or associate solicitor or assistant solicitor in the Office of the

> Solicitor shall participate in rendering a decision on the charges.

37 C.F.R. § 10.4(b) (2000). The question, then, is whether the decision of the Committee to bring charges against Bender is an "agency review pursuant to section 557" of the APA. 5 U.S.C. § 554(d). Bender contends that the Disciplinary Committee decision is an "'adjudication' within the meaning of the APA because it triggers a proceeding under § 32 of the patent statute." Pl. Opp'n at 29. This argument is unpersuasive. 37 C.F.R. § 10.4(b) does not provide that the Disciplinary Committee's decision to bring a complaint is an "adjudication" under § 557 of the APA. The APA defines an adjudication as an "agency process for the formulation of an order." 5 U.S.C. § 551(7). An order is defined in the APA as "the whole or a part of a final disposition, whether affirmative, negative, injunctive, or declaratory in form, of an agency in a matter other than rule making but including licensing." 5 U.S.C. § 551(6). The decision to bring a complaint in no way constitutes part of a final disposition, and therefore is not an adjudication. Furthermore, Bender's argument fails because an agency's interpretations of its own regulations are entitled to substantial deference, and the PTO's decision in this case to allow Moatz to proceed under § 10.4(b) is reasonable and must be upheld. *See, e.g. Thomas Jefferson Univ.*, 512 U.S. at 512. With respect to Moatz's subsequent prosecution of Bender, there was likewise no violation of the separation of functions requirement, as prosecution of a matter does not constitute "participation" in the final decision, which is what is prohibited by the APA.

G. Was the administrative complaint sufficiently specific to comply with the APA?

Bender makes several arguments with respect to the complaint that initiated the administrative case against him. Pl.'s Opp'n at 30-31; Appeal Brief at 75-77. He argues that the administrative complaint "fail[ed] to give adequate notice of the grounds of alleged misconduct" because it lists "averments" and "disciplinary rules" separately, and does not provide a "linkage" between the two sections. Pl.'s Opp'n at 31. This structure, argues Bender, makes the administrative complaint "incoherent and confusing" and thus failed to provide fair notice. *Id.* In addition to these general arguments about the alleged deficiency of the complaint, Bender also makes arguments specific to the individually charged violations.

Specifically, with respect to the claims pertaining to neglect under 37 C.F.R. § 10.77(c), Bender argues that the complaint fails to comport with the APA because: (1) the allegations regarding Bender's failure to discuss the appropriateness of the pending patent's design application with his client are not linked with a particular rule, making it hard for him to determine whether the allegation related to neglect or some other charge, such as misrepresentation; and (2) that the allegation in the complaint stating that Bender failed to act with sufficient promptness in informing his clients about the status of their patent applications is similarly defective because it is not tied to any specific rule violation identified in the complaint. Pl.'s Opp'n at 10-11. Additionally, with respect to the charges made under 37 C.F.R. §§ 10.62(a) and 10.68(a)(1),

Bender argues that the complaint does not set forth the charges with sufficient particularity. Pl.'s Opp'n at 20. Specifically, he contends that the factual allegations that formed the basis for the alleged violations of these regulations are set forth "in a conclusory manner without any particularization . . . ." *Id.* Accordingly, Bender claims that these allegations are "non-specific, vague and ambiguous . . ." and failed to "sufficiently inform [him] before the [h]earing of a conflict of interest under the rule, let alone what are the alleged diverging conflicting interest." *Id.*

The PTO argues, in response, that Bender was adequately informed by the complaint of each of the charges lodged against him. Def.'s Rep. at 7-8. Furthermore, the PTO contends that the complaint was sufficient to allow Bender to prepare a defense, and that he was not misled by the complaint. *Id.* It is therefore the PTO's position that the complaint was sufficient and contained all that was required pursuant to 5 U.S.C. 37 § 554(b) (2000) and 37 C.F.R. § 10.134 (2000). *Id.* Def.'s Rep. at 7-8. Moreover, posits the defendant, the complaint specifically states the charges that were made against Bender, and separately identified the facts on which those charges are based. *See* Admin. Compl.

The required content of an administrative complaint is set forth in § 554(b) of the APA. 5 U.S.C. § 554(b). This section provides that "[p]ersons entitled to notice of an agency hearing shall be timely informed of – (1) the time, place, and nature of the hearing; (2) the legal authority and jurisdiction under which the hearing is to be held; and (3) the matters of fact and law asserted." *Id.* The Court notes that the language

used by Congress in subsection three of § 554(b), while specific in its directive that matters of law and fact must be set forth in the notice, provides no guidance about *how* matters of fact and law must be asserted. As explained elsewhere in this opinion, an agency regulation which construes this directive is entitled to substantial deference as to its interpretation under *Chevron*, 467 U.S. at 842-845. And, the PTO has adopted a regulation (37 C.F.R. § 10.134), which governs the content of its administrative complaints. The regulation provides that the complaints filed by the PTO must "[g]ive a plain and concise description of the alleged violations of the Disciplinary Rules by the practitioner." 37 C.F.R. § 10.134(a)(2). And this regulation does not on its face conflict with § 554(b) of the APA.

The National Labor Relations Board ("NLRB") regulation which governs complaints filed by the NLRB[18] is similar to the PTO regulation. Thus, the District of Columbia Circuit's cases addressing complaints filed by the NLRB provide guidance with respect to what must be provided in a complaint issued by the PTO and under what circumstances a complaint may be insufficient. In *NLRB v. Blake Const. Co.*, 663 F.2d 272 (D.C. Cir. 1998), the Court of Appeals held

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[18] 29 C.F.R. § 102.15 (2005) provides, in relevant part, that "[t]he complaint shall contain: (a) A clear and concise statement of the facts upon which assertion of jurisdiction by the Board is predicated, and (b) A clear and concise description of the acts which are claimed to constitute unfair labor practices, where known, the approximate dates and places of such acts and the names of respondent's agents or other representatives by whom committed."

that "[t]he Board may not make findings or order remedies on violations not charged in the General Counsel's complaint or litigated in the subsequent hearing." *Id.* at 279; *see also Gen. Teamsters and Allied Workers Local Union No., 992 v. N.L.R.B.*, 427 F.2d 582, 588 (D.C. Cir. 1970). Thus, the NLRB's "own rules require that the complaint inform . . .[the other party] of the violation asserted." *Id.* (footnote omitted). Therefore, an administrative complaint must, at a minimum, set forth the charged violations and the facts on which those violations are founded so that the charged party may adequately prepare and present a defense. *Blake Const. Co.*, 633 F.2d at 283.

Although, in some instances, the PTO did not specifically correlate the factual allegations with the regulation violations charged in its complaint, this Court finds that the complaint was sufficient to provide Bender with sufficient notice of the charged conduct. As explained above, the APA requires only that the matters of law and fact be asserted in the complaint, and the PTO has done this. The PTO has also reasonably interpreted what its own regulation requires be contained in its complaints and substantial deference must be accorded to that interpretation. And all of the violations which Bender was ultimately found to have committed were sufficiently designated in the complaint (or the violations found by the ALJ were reversed by the GC Decision for a failure to do so), as both the underlying factual conduct and the regulations allegedly violated were asserted, consistent with what the Court required in *Blake Const. Co.*, 663 F.2d at 279, and *General Teamsters*, 427 F.2d at 588. Accordingly, this Court finds that the additional step of specifically identifying which particular facts

correspond with the particular disciplinary regulation charged in the complaint is simply not required by Congress or the law of this Circuit where it is ascertainable, as here, which facts pertain to which charges. Therefore, Bender's challenge to the sufficiency of the complaint must be rejected.

H. Did the PTO or the ALJ commit significant procedural errors bearing on the plaintiff's hearing and the adjudication?

1. Failure to permit discovery

Bender argues that the ALJ's pre-hearing decision not to allow him to take the testimony of certain PTO employees "adversely affected [his] ability to put on an effective defense thereby denying him a full and fair [h]earing." Pl.'s Opp at 33; Appeal Brief at 80-83. It is Bender's contention that if he had been allowed to take testimony from these individuals, he would have been able to present "exculpatory evidence" about, *inter alia*, improper agency conduct as to various aspects of his case (some which are discussed elsewhere in this opinion), improper agency motives, and institutional as well as individual bias. Pl.'s Opp'n at 33-34.

The PTO contends, as a preliminary matter, that the PTO's rejection of certain patent applications is "hardly germane to [the p]laintiff's duty to notify his clients." Def.'s Reply at 1920. Furthermore, the PTO argues that Bender's contention that such discovery would show "unclean hands" on the part of the PTO would not show bias on the part of the ALJ. *Id.* at 20.

With respect to discovery in agency proceedings, the District of Columbia Circuit has explained that

> [t]he extent of discovery that a party engaged in an administrative hearing is entitled to is primarily determined by the particular agency: both the Federal Rules of Civil Procedure and the Federal Rules of Criminal Procedure are inapplicable and the Administrative Procedure Act fails to provide expressly for discovery; further, courts have consistently held that agencies need not observe all the rules and formalities applicable to courtroom proceedings.

McClelland v. Andrus, 606 F.2d 1278, 1285 (D.C. Cir. 1979) (citations omitted) (footnotes omitted). 37 C.F.R. § 10.152(B) states that "[d]iscovery shall not be authorized . . . of any matter which: (1) will be used by another party solely for impeachment or cross-examination." In seeking the testimony of the three PTO employees, Bender's very purpose was to illicit admissions that the PTO's investigation and complaint against him, in which these employees participated or were involved, was unfair and flawed on multiple levels. Pl.'s Opp'n at 33 Appeal Brief at 80-83. Therefore, the discovery sought by Bender was reasonably construed as designed to develop "impeachment or cross-examination" material, and according deference to the agency's interpretations of its own regulations the Court declines to disturb the agency's decision. Accordingly, the Court does not

agree that the ALJ's denial of discovery was improper.[19]

2. The ALJ's failure to dismiss counts of the administrative complaint

Bender argues that the ALJ erred by denying his motion to dismiss eight of the ten counts filed against him because "the PTO did not produce the inventors named in the Counts as witnesses at the hearing even though it owned the burden of proof." Appeal Brief at 53-54; Pl.'s Opp'n at 35. Bender argues that the failure to produce the inventors' names was a violation of § 556(d) of the APA, 5 U.S.C. § 556(d),[20] because "he was deprived of an opportunity to cross-examine these witnesses." *Id.* And, Bender contends that "the remaining witnesses were incompetent to testify probatively about any of the adopted charges with respect to the eight other counts." *Id.* In response, the

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[19] The Court also declines to hold that the ALJ improperly denied Bender's request for discovery of the disciplinary files of other PTO practitioners. Pl.'s Opp'n at 35. Bender contends that these files might show that the PTO wrongly assumes that association with AIC is considered a *per se* violation of the disciplinary rules. *Id.* This argument is purely speculative and is not highly relevant to the real issue in this case, *i.e.*, whether Bender's own actions violated the PTO's regulations, and proof that he did is supported by substantial evidence in the administrative record.

[20] 5 U.S.C. § 556(d), provides in pertinent part that "[a] party is entitled to present his case or defense by oral or documentary evidence, to submit rebuttal evidence, and to conduct such cross-examination as may be required for a full and true disclosure of the facts."

PTO asserts that because Bender "has not alleged that he was in any way prevented from calling the inventors as witnesses and examining them on any issue relevant to the matter," he was not denied a "full and fair" hearing. Def.'s Reply. at 20 (quoting *Ritz v. O'Donnell*, 566 F.2d 731, 736 (D.C. Cir. 1977)).

The PTO is correct that there is nothing in the record which indicates that Bender was prevented from calling his own witnesses with respect to the charges he claims should have been dismissed, and he was therefore not precluded from "present[ing] his defense by oral . . . evidence," as required by the APA. 5 U.S.C. § 556(d). Neither was he prevented from "submit[ing] rebuttal evidence" in the form of testimony by witnesses he desired to call, as he must be afforded the opportunity to do under § 556(d). Bender's argument implies that the PTO was required to present as witnesses the investors with respect to each charge so that he could cross-examine them, and that without such witnesses the PTO could not support the charges filed against him. The Court must reject this argument. As explained in the GC Decision, the ALJ's determinations were based on "documents prepared in the course of [Bender's] representation of his clients" and were "for the most part, direct evidence of [Bender's] actions in the course of his representation of the pertinent clients". GC Decision at 19.

As previously noted, the violations found by the ALJ are supported by substantial record evidence. And, in such circumstances, there is simply no requirement that the PTO call witnesses to testify as to each count of the complaint in order for them to be

cross-examined by Bender. That Bender himself was not prevented from calling such witnesses adds additional support for this conclusion. *Ritz*, 566 F.2d at 736. Accordingly, Bender's argument must be rejected.

3. Appointment of the ALJ

Bender contends that the appointment of the ALJ, William B. Moran ("Moran"), was improper because it was made in violation of 35 U.S.C. § 32 in that Moran was not an employee of the PTO, and because he was not intimately familiar with patent law and therefore lacked the qualifications to decide his case. Pl.'s Opp'n at 31-32; Req. for Recon. at 23-24. The PTO responds by arguing that § 32 does not mandate the appointment of a PTO employee, but rather provides for the appointment of a PTO employee at the discretion of the Director. Def.'s Reply at 18-19 (citing GC Decision at 16-18). With respect to Bender's argument that the ALJ lacked expertise in patent law, the PTO contends that it was Bender's "obligation to provide any explanation necessary for the ALJ to understand his arguments." *Id.* at 19 (citation omitted).

35 U.S.C. § 32 provides, in relevant part, that "[t]he Director *shall have the discretion* to designate any attorney who is an officer or employee of the United States Patent and Trademark Office to conduct the hearing required by this section." (emphasis added). Bender argues that this provision *requires* the PTO to designate an officer or employee of the PTO, while the PTO argues that the statute merely gives the Director authority to make such a designation if in his

discretion he chooses to do so. GC Decision at 16-18. As a congressional enactment, the analysis required by *Chevron*, 467 U.S. at 842-845, governs the resolution of this dispute. Under *Chevron*, the language of the provision at issue cannot be evaluated under *Chevron*'s first step, as it is not clear whether the provision permits a non-PTO employee to be appointed as the ALJ. *Id.* Under *Chevron*'s second step, the agency interpretation of the statute must be afforded deference and upheld if it is reasonable. *Id.* The PTO points to the legislative history of the provision, which indeed confirms that the PTO's interpretation is reasonable in light of the language of the statute itself. GC Decision at 16-18. 35 U.S.C. § 32 was amended in 1999, and the legislative history of the amendment indicates the following:

> Suspension or exclusion from practice. Under existing § 32 of the Patent Act, the Commissioner (the Director pursuant to § 632 of this Act) has the authority, after notice and a hearing, to suspend or exclude from further practice before the PTO any person who is incompetent, disreputable, indulges in gross misconduct or fraud, or is noncompliant with PTO regulations. Section 620 *permits* the Director to designate an attorney who is an officer or employee of the PTO to conduct a hearing under § 32.

H.R. REP. 106-287 (1999) (emphasis added). As the PTO correctly notes, the legislative history of the amendment supports the conclusion that the amendment was intended to be permissive, rather than mandatory, with respect to the appointment of an

ALJ. Therefore, the Court concludes that the PTO's interpretation is reasonable and that the appointment of the ALJ was therefore proper.

This Court also rejects Bender's challenge to the appointment of the ALJ based on his lack of expertise in patent law. The case before the ALJ concerned issues of professional conduct of an attorney, and while the issues presented implicated some aspects of patent law, the ultimate question concerned whether Bender engaged in conduct that violated the PTO's disciplinary regulations. While knowledge of patent law might have provided some assistance to the ALJ, it was not essential. The administrative record contained ample information from which the ALJ could reasonably assess whether there was substantial evidence that Bender violated certain disciplinary regulations without having the expertise in patent law. This Court also finds the PTO's argument and reference to the record persuasive with respect to its conclusion that Bender had an obligation to clarify issues of patent law for the ALJ when clarification was necessary. Furthermore, to the extent that there were "misunderstandings" of patent law by the ALJ bearing on material facts undergirding the violations found by the ALJ, his evaluation of the record was ultimately scrutinized by the PTO's General Counsel in his GC Decision, which provided an additional analysis and explanation of the relevant factual matters and legal principles that led to the conclusions that were reached in this case. Accordingly, the appointment of Moran as the ALJ provides no basis for disturbing the decision rendered by the PTO, as the appointment was proper and not made in violation of 35 U.S.C. § 32.

4. Was Bender prejudiced by the delay of the proceedings?

Bender argues that the length of the proceedings did not comport with due process and was prejudicial. Pl.'s Opp'n at 46-47; Appeal Brief at 86-87. Specifically, he alleges that Moatz's involvement in the investigation of his case created a "will to win" on Moatz's part when he was then promoted to the position of Director of the OED. Pl.'s Opp'n at 47. Thus, Bender argues that if the complaint had been brought earlier, there at least would not be an "appearance of prejudgment and bias". *Id.* (emphasis in original). He also argues that Moatz, due to his extensive involvement in the case and his desire to win, failed to engage in "reasonable" settlement negotiations as called for in 37 C.F.R. § 10.131(g) (2000).[21] Pl.'s Opp'n at 47. Bender also contends that because he complained to Moatz's supervisor about "abuses" that Moatz allegedly engaged in, "there is an extremely high risk in the present case that the OED Director harbored an intense "will to win." *Id.* The PTO counters, arguing only that Bender's contention that he was prejudiced because Moatz did not engage in reasonable settlement negotiations lacks merit because he had "no legally cognizable right to a settlement of pending charges under any specific terms" and because the range of settlement

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[21] Bender acknowledges that the Director entered into settlement negotiations with his counsel during the hearing, but contends that the Director's position was unreasonable because the settlement offer called for Bender's "immediate suspension which was the equivalent of exclusion."

possibilities, or the decision not to enter into a settlement at all, were "well within the agency's discretion." Def.'s Rep at 23 (citing *Heckler v. Chaney*, 470 U.S. 821 (1985).

Bender's challenge to the PTO's decision predicated on the delay in resolving his case is unpersuasive. His claim that a complaint instituted prior to Moatz's promotion to the position of Director of the OED would have been free of bias or the appearance of bias is unfounded because, as already noted, Bender has not specifically established any actual bias. His argument concedes as much when he states that had a different agency decision maker been involved, the "present proceeding *might* have been avoided." Pl.'s Opp'n at 47 (emphasis supplied). This argument, combined with the fact that only the "risk" and "appearance" of bias are alleged, is insufficient to establish that the delay resulted in actual prejudice. Similarly, Bender has failed to identify any specific record evidence that supports his supposition that Moatz had an intense "will to win." Rather, all he has offered is pure speculation. And as to Bender's argument regarding settlement process, this Court's review is again constrained by the requirement that deference be accorded to an agency's interpretations of its own regulations. *See, e.g., Thomas Jefferson Univ.*, 512 U.S. at 512. Under this standard, the Court declines to disturb the Director's decision regarding what constitutes a "reasonable" settlement under 37 C.F.R. § 10.131(g). Accordingly, there is no basis for this Court to conclude that Bender was prejudiced by the delay in resolving his case.

IV. Conclusion

For the foregoing reasons, this Court denies Plaintiff's motion for summary judgment and grants Defendant's motion to for summary judgment.[22]

SO ORDERED on this 13th day of January, 2006.

REGGIE B. WALTON
United States District Court Judge

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[22] An order consistent with this memorandum opinion is being issued contemporaneously herewith.

APPENDIX C

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

2006-1243

[Filed September 27, 2007]

S. MICHAEL BENDER,
Plaintiff-Appellant,

v.

Jon W. Dudas,
DIRECTOR, PATENT AND TRADEMARK OFFICE,
Defendant-Appellee.

ORDER

A combined petition for panel rehearing and for rehearing en banc having been filed by the Appellant, and the petition for rehearing, having been referred to the panel that heard the appeal, and thereafter the petition for rehearing en banc having been referred to the circuit judges who are in regular active service,

UPON CONSIDERATION THEREOF, it is

ORDERED that the petition for panel rehearing be, and the same hereby is, DENIED and it is further

ORDERED that the petition for rehearing en banc be, and the same hereby is, DENIED.

The mandate of the court will issue on October 4, 2007.

FOR THE COURT,

/s/_____
Jan Horbaly
Clerk

Dated: 09/27/2007

cc: S. Michael Bender
Stephen Walsh

BENDER V DUDAS, 2006-1243
(DCT - 04-CV-1301)

No. 07-847

In the Supreme Court of the United States

S. MICHAEL BENDER, PETITIONER

v.

JONATHAN W. DUDAS, DIRECTOR,
PATENT AND TRADEMARK OFFICE

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF FOR THE RESPONDENT IN OPPOSITION

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QUESTIONS PRESENTED

1. Whether the United States Patent and Trademark Office (PTO) exceeded its authority in disciplining petitioner for ethics violations that were related to his prosecution of patent applications.

2. Whether PTO's administrative issuance of Requirements for Information was unlawful and, if so, whether it tainted petitioner's subsequent disciplinary proceeding.

3. Whether other errors occurred in petitioner's administrative disciplinary proceeding.

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In the Supreme Court of the United States

No. 07-847

S. MICHAEL BENDER, PETITIONER

v.

JONATHAN W. DUDAS, DIRECTOR,
PATENT AND TRADEMARK OFFICE

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF FOR THE RESPONDENT IN OPPOSITION

OPINIONS BELOW

The opinion of the court of appeals (Pet. App. 1a-20a) is reported at 490 F.3d 1361. The opinion of the district court (Pet. App. 21a-83a) is unreported.

JURISDICTION

The judgment of the court of appeals was entered on June 21, 2007. The petition for rehearing was denied on September 27, 2007 (Pet. App. 84a-85a). The petition for a writ of certiorari was filed on December 26, 2007. The jurisdiction of this Court is invoked under 28 U.S.C. 1254(1).

STATEMENT

1. Congress granted the United States Patent and Trademark Office (PTO) authority to issue regulations

that "govern the * * * conduct of agents, attorneys, or other persons representing applicants or other parties before the Office." 35 U.S.C. 2(b)(2)(D). Congress further specified that PTO "may, after notice and opportunity for a hearing, suspend or exclude * * * from further practice before [PTO], any person, agent, or attorney shown to be incompetent or disreputable, or guilty of gross misconduct, or who does not comply with the regulations established under section 2(b)(2)(D) of this title, or who shall * * * with intent to defraud in any manner, deceive, mislead, or threaten any applicant or prospective applicant, or other person having immediate or prospective business before this Office." 35 U.S.C. 32.

Pursuant to formal notice-and-comment rulemaking procedures, PTO issued regulations establishing a Code of Professional Responsibility for practitioners representing applicants or others before the Office. See 37 C.F.R. 10.20 *et seq.* One of those disciplinary rules specifies that a practitioner "shall not * * * neglect a legal matter entrusted to the practitioner." 37 C.F.R. 10.77(c). Another rule instructs practitioners to avoid conflicts of interest and influence by persons other than the client, stating that "[e]xcept with the consent of a client after full disclosure, a practitioner shall not accept employment if the exercise of the practitioner's professional judgment on behalf of the client will be or reasonably may be affected by the practitioner's own financial, business, property or personal interests." 37 C.F.R. 10.62(a). Thus, "[e]xcept with the consent of the practitioner's client after full disclosure, a practitioner shall not * * * [a]ccept compensation from one other than the practitioner's client for the practitioner's legal services to or for the client." 37 C.F.R. 10.68(a)(1). A fur-

ther disciplinary rule prohibits practitioners from "engag[ing] in conduct that is prejudicial to the administration of justice." 37 C.F.R. 10.23(b)(5).

2. In 1993, petitioner assumed the prosecution of over 1000 design patent applications before PTO under an employment agreement with American Inventors Corporation (AIC), an invention submission company. Pet. App. 4a, 6a. AIC promised to patent and market an inventor's idea in exchange for approximately $9000. See *id.* at 4a; C.A. App. 4661-4664. The company agreed to hire a patent attorney to prepare, file, and prosecute an application on the inventor's behalf and to pay all legal fees associated with the design application. Pet. App. 4a. The company also promised a full money-back guarantee if a patent did not issue. *Ibid.*

AIC hired petitioner to take over the prosecution of the pending applications because the patent attorney who previously handled the cases, Leon Gilden, had been suspended from practice based on his actions concerning those applications. Pet. App. 5a-6a. Gilden's misconduct included filing applications for design patents instead of utility patents for some inventors. Gilden also had draftsmen add ornamentation to the figures in the patent applications in order to make them appear worthy of design patent protection. *Id.* at 5a. "Utility patents afford protection for the mechanical structure and function of an invention whereas design patent protection concerns the ornamental or aesthetic features of a design." *Carman Indus., Inc.* v. *Wahl*, 724 F.2d 932, 939 n.13 (Fed. Cir. 1983). Where an invention is functional as opposed to ornamental, therefore, utility patents provide the appropriate protection.

Because of Gilden's misconduct, PTO sent each of petitioner's clients a Requirement for Information (RFI)

asking the applicants, among other things, whether they invented the patterns on the drawings, whether they intended to apply for a design patent rather than a utility patent, and whether they understood the difference between a design and a utility patent. Pet. App. 5a. The majority of responses indicated that the inventors either did not understand the difference between a design and a utility patent or that they intended to apply for a utility patent. See *id.* at 6a. Nonetheless, petitioner prosecuted the applications as design patent applications after removing the improper embellishments. *Ibid.* AIC paid petitioner up to $15,000 bi-weekly for his services. *Ibid.*

PTO ultimately issued final rejections of the applications. Petitioner failed, however, promptly to notify his clients of the final rejections. Instead, he delayed mailing the notices to some of the inventors until after the period for response had expired. See Pet. App. 12a.

3. PTO initiated an investigation of petitioner after receiving information indicating that he might have violated PTO's Code of Professional Responsibility. Pet. App. 7a. During the investigation, PTO sent petitioner a number of RFIs posing questions about his actions and conduct. *Ibid.* After the Committee on Discipline determined that probable cause existed to bring charges against petitioner for violations of various disciplinary rules, the agency issued an administrative complaint alleging that petitioner committed neglect in violation of 37 C.F.R. 10.77(c), engaged in conflict of interest in violation of 37 C.F.R. 10.62(a) and 10.68(a)(1), and engaged in conduct prejudicial to the administration of justice in violation of 37 C.F.R. 10.23(b)(5). Pet. App. 7a-8a.

The charges against petitioner were heard by an administrative law judge (ALJ) during a three-day hear-

ing. See Pet. App. 7a. The ALJ found that petitioner had violated numerous PTO disciplinary rules and that exclusion from practice was warranted. *Ibid.* Upon review, the PTO General Counsel issued a final decision that adopted some of the violations found in the ALJ's initial decision and sustained the sanction of exclusion. *Ibid.* Specifically, the General Counsel concluded that petitioner had neglected an entrusted legal matter in violation of 37 C.F.R. 10.77(c); accepted employment where professional judgment may be affected in violation of 37 C.F.R. 10.62(a); accepted compensation from a person other than a client without full disclosure to the client in violation of 37 C.F.R. 10.68(a)(1); and engaged in conduct that was prejudicial to the administration of justice in violation of 37 C.F.R. 10.23(b)(5). Pet. App. 7a-8a.

4. Petitioner sought review of PTO's final decision in the United States District Court for the District of Columbia. The district court granted summary judgment for PTO. Pet. App. 21a-83a.

Among its other holdings, the district court rejected petitioner's argument that PTO lacked statutory authority to discipline attorneys for conduct such as that engaged in by petitioner. Pet. App. 35a-39a. The court explained that the statutes that authorize PTO's disciplinary regulations are "broad," and that, while the statutes are "vague as to the outer limits of the authority intended by Congress," PTO's interpretation was entitled to deference. *Id.* at 38a.

On the merits, the district court held that substantial evidence supported each of the disciplinary-rule violations found by PTO and that PTO's interpretations of its disciplinary regulations were reasonable. The court agreed with PTO that petitioner: (1) committed neglect

by failing properly to advise his clients; (2) engaged in conflict of interest by not disclosing the extent of his relationship with AIC to the inventors; and (3) prejudiced the administration of justice by giving evasive answers to PTO's RFIs. Pet. App. 44a-54a.

The district court also rejected numerous objections that petitioner raised to the administrative proceedings. Pet. App. 28a-34a, 55a-82a.

5. The court of appeals unanimously affirmed. Pet. App. 1a-20a. The court rejected petitioner's arguments that substantial evidence did not support PTO's findings that he violated various disciplinary rules. Specifically, the court agreed with PTO that petitioner, by neglecting to advise his clients on how best to protect their inventions and by neglecting to inform them promptly of PTO's final rejections of their applications, had violated 37 C.F.R. 10.77(c). Pet. App. 13a. The appeals court also determined that petitioner had "fail[ed] to point to any indication in the record that he met the disclosure requirements of 37 C.F.R. §§ 10.62(a) and 10.68(a)(1)" concerning the conflict of interest created by his retention by AIC to prosecute patent applications on behalf of individual inventors. Pet. App. 13a-14a. The court further concluded that petitioner's "failure to respond * * * in any meaningful way" to PTO's "specific questions directed to [his] relationship with [AIC] and his disclosure of that relationship to his clients" was "evasive conduct prejudicial to the PTO's investigation," in violation of 37 C.F.R. 10.23(b)(5). Pet. App. 15a.

The court of appeals also rejected petitioner's contention that the disciplinary measures at issue exceed PTO's statutory authority because they relate to client communications that were not made "before" PTO. Pet. App. 15a-16a. The court held that the challenged regu-

lations "are well within the scope of the enabling statutes," and that, "[t]o the extent the phrase 'before the Office' in sections 2 and 32 is ambiguous, * * * the PTO's reasonable interpretation of that phrase as authorizing regulations that govern a patent attorney's communications with and disclosures to a client in connection with the prosecution of applications before the PTO" is entitled to deference. *Id.* at 16a.

The court of appeals then rejected petitioner's various procedural arguments. Pet. App. 16a-17a.

ARGUMENT

The court of appeals' decision upholding PTO's disciplinary action against petitioner is correct and does not conflict with any decision of this Court or another court of appeals. Further review is not warranted.

1. Petitioner contends (Pet. 15) that PTO exceeded its statutory authority because his unethical conduct was not "reasonably related to any proceeding pending before the PTO." That contention is mistaken because, on the record of this case, all of the ethics violations related to petitioner's prosecution of patent applications before PTO. In any event, there is no conflict in authority on that question.

Congress granted PTO authority to issue regulations that "govern the recognition and conduct of agents, attorneys, or other persons representing applicants or other parties before the Office." 35 U.S.C. 2(b)(2)(D). Congress further specified that PTO "may, after notice and opportunity for a hearing, suspend or exclude * * * from further practice before [PTO], any * * * attorney * * * who shall * * * with intent to defraud in any manner, deceive, mislead, or threaten any applicant or

prospective applicant, or other person having immediate or prospective business before the Office." 35 U.S.C. 32.

Petitioner was retained to prosecute pending patent applications when the attorney who had been prosecuting those applications was suspended from practice. See Pet. App. 5a-6a. Thus, all of the relevant conduct was "reasonably related to [a] proceeding pending before the PTO" (Pet. 15)—the ongoing patent prosecutions. And even if the patent applications had not been filed, PTO would still have authority to regulate conduct related to potential applications. Section 32 makes clear, for example, that PTO's disciplinary authority extends to an attorney's communications with "any applicant *or prospective applicant*, or other person having immediate *or prospective* business before [PTO]." 35 U.S.C. 32 (emphases added).

Petitioner claims (Pet. 15) that his unethical communications (and lack of meaningful communications) with his clients did not relate to "the conduct of proceedings in the Office" because they occurred "out of the Office." That is mere word play. The question is not *where* conduct occurred—even false submissions to PTO are typically prepared and mailed to PTO from outside of PTO's offices. Instead, Congress authorized PTO to "govern the * * * conduct of" persons like petitioner, *i.e.*, "agents, attorneys, or other persons representing applicants or other parties before the Office." 35 U.S.C. 2(b)(2)(D). Under that provision, an attorney must "represent[] * * * parties before the Office." *Ibid.* But the phrase "before the Office" does not modify "conduct," and thus does not require that the specific conduct occur on PTO's premises or in the presence of PTO officials.

Indeed, the statutes go on to confirm that PTO's authority reaches attorneys' conduct toward "prospective"

applicants, 35 U.S.C. 32, and that PTO's regulations may require practitioners to be "possessed of the necessary qualifications to render to applicants or other persons valuable service, advice, and assistance in the presentation or prosecution of their applications or other business before the Office." 35 U.S.C. 2(b)(2)(D). As the court of appeals explained, "the language of those statutes indicates that they are broadly directed to service, advice, and assistance in the prosecution or prospective prosecution of applications." Pet. App. 15a. In any event, the ethics violations here included not only petitioner's communications to his clients (or lack thereof), but also his evasive answers to RFIs propounded by PTO concerning, among other things, pending patent applications. See *id.* at 14a-15a.

Even if the statutory phrase "before the Office" were ambiguous, the court of appeals correctly held that PTO's reasonable interpretation would be entitled to deference. Pet. App. 16a; see *Chevron U.S.A. Inc.* v. *NRDC*, 467 U.S. 837 (1984). Petitioner argues (Pet. 14) that PTO's disciplinary measures must reach no farther than necessary to accomplish federal objectives. Even assuming *arguendo* that is correct, but see pp. 10-11, *infra*, PTO has an obvious federal interest in regulating attorneys' unethical communications to their clients in connection with patent applications.

That interest is illustrated by the facts of this case. As the court of appeals explained, "[t]he background of this case reads like a novel but represents the true story of hopes dashed, fees wasted, and dreams lost by hundreds of individual inventors caught up in the world of self-interested promoters who promise the world and deliver very little." Pet. App. 2a. Petitioner, a solo practitioner, simultaneously accepted responsibility for

prosecuting over 1000 design patent applications (with 1000 different inventors) from a third party, AIC, which was not an inventor or assignee of any of the applications. See *id.* at 4a. Petitioner failed to disclose fully to his clients the nature and extent of his financial relationship with the company, failed to advise his clients of the most meaningful type of patent application available for their particular inventions (a utility patent), failed to notify his clients of PTO's denial of their applications until after the period to respond had expired, and earned up to $7500 per week from AIC for doing so. See *id.* at 5a-6a, 10a-15a.[1]

Nor does this case present any Tenth Amendment issue under *Sperry* v. *Florida*, 373 U.S. 379 (1963), as petitioner contends (Pet. 17-18). *Sperry* held that a *State* could not impose additional licensing restrictions beyond those required by federal law to permit a practitioner to practice before PTO. 373 U.S. at 385. *Sperry* in no way held that *PTO* is precluded from regulating an attorney's conduct in connection with patent applications. Moreover, the federal proceedings here do not preempt state law, as petitioner asserts (Pet. 14). PTO only barred petitioner from practicing before PTO; the appropriate state bar remains free to decide whether to impose additional discipline. See 37 C.F.R. 10.1.

Petitioner's reliance (Pet. 15 n.8) on *Kroll* v. *Finnerty*, 242 F.3d 1359 (Fed. Cir. 2001), only underscores that point. *Kroll* held that the federal courts lacked sub-

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[1] While petitioner contends (Pet. 15) that *In re Daniels*, 144 F.3d 1452 (Fed. Cir. 1998), shows that he acted ethically before PTO, that case holds only that a change in the application for a design patent did not defeat the application's priority date. *Id.* at 1457. *In re Daniels* did not address any of the attorney misconduct or other issues presented here.

ject matter jurisdiction to consider the contention that *state* disciplinary action was preempted by federal patent law. *Id.* at 1365-1366. In so holding, the Federal Circuit determined that Section 2(b)(2)(D) "grants [PTO] broad authority to discipline patent practitioners for incompetence and a wide range of misconduct, much of which falls within the disciplinary authority of the states." *Id.* at 1365. As *Kroll* explained, however, "[t]hat the PTO and the states may share jurisdiction over certain disciplinary matters * * * does not mean that the states' authority is preempted." *Ibid.* Rather, the States generally retain authority to discipline attorneys, including patent practitioners. 37 C.F.R. 10.1.

Petitioner also misses the mark (Pet. 18-19) in claiming that he was unfairly targeted for discipline. Gilden was suspended based on his unethical activities in connection with the very patent applications at issue here. Pet. App. 5a-6a. When petitioner took over those prosecutions, working for the same company, he unapologetically continued most of the same abusive practices—while committing additional ethics breaches—and thereby contributed to the "hopes dashed, fees wasted, and dreams lost" to which the court of appeals referred. *Id.* at 2a, 6a; cf. *id.* at 59a ("[T]he facts of this case do not rise to a level that would warrant a finding that there was prejudgment or institutional bias against [petitioner]."); *id.* at 60a.

2. Petitioner contends (Pet. 19-23) that PTO acted unlawfully by sending RFIs to him as part of the investigation that preceded the initiation of disciplinary action. While petitioner asserts (Pet. 20-22) that the RFI process lacks adequate procedural safeguards, the court of appeals correctly recognized that, "when governmental action does not partake of an adjudication, as for exam-

ple, when a general fact-finding investigation is being conducted, it is not necessary that the full panoply of judicial procedures be used." Pet. App. 17a (quoting *Hannah* v. *Larche*, 363 U.S. 420, 442 (1960)).

Petitioner's reliance on *Goldstein* v. *Moatz*, 364 F.3d 205 (4th Cir. 2004), is misplaced. As the decision below explains, *Goldstein* held that federal officials were not entitled to absolute (as opposed to qualified) immunity from liability in a lawsuit challenging the issuance of RFIs. *Id.* at 211-217; see Pet. App. 16a-17a. The court of appeals reasoned that, in deciding whether to confer absolute immunity, "we should consider whether the system in question contains adequate procedural safeguards, such that private litigation is unnecessary to protect constitutional standards." *Goldstein*, 364 F.3d at 217. The court concluded that PTO's investigatory procedures regarding the use of RFIs lacked "sufficient procedural safeguards" to justify an absolute bar against private litigation. *Id.* at 217-219. The court did not determine the lawfulness of the RFIs, however, but instead remanded for application of the qualified immunity standard. *Id.* at 212 n.11, 219. And the court of appeals later held that the *Goldstein* plaintiff was not entitled to attorney's fees precisely because he was not a prevailing party. *Goldstein* v. *Moatz*, 445 F.3d 747, 751-752 (4th Cir. 2006).

In any event, the petitioner here did not object to the RFIs when they were propounded, but instead answered them. See Pet. App. 34a ("It * * * appears that [petitioner] is raising his claim about the general impropriety of RFIs for the first time in his appeal to [the district court]."). While petitioner now argues (Pet. ii, 21-22) that PTO's use in disciplinary proceedings of evidence gleaned from RFIs gave rise to an "'improper taking'

under the Fifth Amendment," he cites no authority for that unusual proposition. Cf. Pet. App. 34a n.8 (holding that "exclusion pursuant to the exclusionary rule is not an appropriate remedy in administrative proceedings").

3. Petitioner argues (Pet. 23-25) that PTO violated his due process rights by adding "a new charge"—giving evasive answers to RFIs that prejudiced the administration of justice—"after the administrative hearing" had concluded. In fact, PTO's complaint against petitioner specifically stated that, "[o]n or about January 15, 1999, [petitioner] did not answer questions and/or otherwise evaded answering questions posed in a Requirement for Information." C.A. App. 5948. The complaint further averred that petitioner's conduct violated "Rule 10.23(b)(5), in that [petitioner] engaged in conduct that is prejudicial to the administration of justice." *Ibid.* Those averments put petitioner on notice of the evasion charge. See generally 5 U.S.C. 554(b)(3) (requiring notice of the "matters of fact and law asserted"); 37 C.F.R. 10.134(a)(2) (requiring that "[a] complaint instituting a disciplinary proceeding shall * * * [g]ive a plain and concise description of the alleged violations of the Disciplinary Rules by the practitioner").

In any event, petitioner's fact-bound contention does not implicate a division in authority and does not warrant further review. Indeed, the court of appeals did not specifically address that contention, stating instead that it had "considered [petitioner's] remaining constitutional arguments and f[ou]nd them unpersuasive." Pet. App. 17a.

Nor is there is any merit to petitioner's argument (Pet. 24) that PTO's regulations are impermissibly vague because they do not specify that "'otherwise evading answering' questions in an * * * RFI is miscon-

duct"—another argument the court of appeals did not specifically address in its opinion. A regulation need not achieve "mathematical certainty" or "meticulous specificity." *Grayned* v. *City of Rockford*, 408 U.S. 104, 110 (1972). Instead, because it is impossible to predict the myriad of situations that might arise, a regulation need only be "sufficiently specific that a reasonably prudent person, familiar with the conditions the regulations are meant to address and the objectives the regulations are meant to achieve, would have fair warning of what the regulations require." *Freeman United Coal Mining Co.* v. *Federal Mine Safety & Health Review Comm'n*, 108 F.3d 358, 362 (D.C. Cir. 1997) (citations omitted). That standard was satisfied here. PTO's regulations prohibit practitioners from "[e]ngag[ing] in conduct that is prejudicial to the administration of justice." 37 C.F.R. 10.23(b)(5). And as petitioner concedes (Pet. 24-25), the RFIs themselves further specify that recipients have a duty to cooperate. Thus, petitioner was on fair notice that the types of evasive answers at issue here were prohibited by PTO's rules. See Pet. App. 53a-55a.

4. Petitioner next contends (Pet. 25-27) that PTO violated the "separation of functions" clause of the Administrative Procedure Act, 5 U.S.C. 554(d), because the same PTO employee, Harry Moatz, investigated petitioner and then convened the Committee on Discipline. That fact-bound contention, which the court of appeals did not specifically address in its opinion, lacks merit and does not warrant further review.

Section 554(d)(2) provides that "[a]n employee or agent engaged in the performance of investigative or prosecuting functions for an agency in a case may not, in that or a factually related case, *participate or advise in the decision, recommended decision, or agency review*

pursuant to section 557 of this title, except as witness or counsel in public proceedings." 5 U.S.C. 554(d)(2) (emphasis added). Moatz did not "participate or advise" in any decision as to the merits of petitioner's disciplinary proceeding. Instead, Moatz simply took the initial procedural step of assembling the group responsible for making the probable cause determination, just as a criminal prosecutor brings a matter before a grand jury. See 37 C.F.R. 10.132(a). The committee members themselves, not Moatz, then determined that there was probable cause to believe that petitioner had violated a disciplinary rule. See 37 C.F.R. 10.132(b), 10.4(b).

In any event, a mere decision that probable cause exists to justify the filing of charges and commencement of an adjudicative proceeding does not constitute a "decision" or "recommended decision" within the meaning of Section 554(d). Indeed, the requirements of Section 554 generally apply only in the context of "adjudication required by statute to be determined on the record after opportunity for an agency hearing," 5 U.S.C. 554(a), whereas a probable cause determination is merely a *precursor* to initiation of the adjudicative process. See, *e.g.*, *International Tel. & Tel. Corp.* v. *Local 134, Int'l B'hood of Elec. Workers*, 419 U.S. 428, 441-448 (1975); *Gibson* v. *FTC*, 682 F.2d 554, 560 (5th Cir. 1982) ("[P]articipation of [the same individual] in both the investigation and subsequent prosecution of a case is clearly allowed under 5 U.S.C. § 554(d)."). And as the text of Section 554(d) makes clear, the "recommended decision" and "decision" referenced in that subsection refer to the adjudicative decision made on the *merits* after "reception of evidence" in accordance with 5 U.S.C. 556 and 557, not to mere exercises of investigative or prosecutorial

discretion regarding whether to initiate formal proceedings.

After the committee made its probable cause determination, Moatz filed an administrative complaint against petitioner and prosecuted him before an ALJ. After the ALJ's initial decision, the PTO General Counsel, without Moatz's participation or advice, wrote the final decision.[2] Thus, at all relevant times, Moatz was either an investigator or a prosecutor; he was never a participant or advisor in the initial or final decision.

5. Finally, petitioner argues (Pet. 27-29) that the core violations forming the basis of the administrative complaint against him accrued outside of the five-year limitations period set forth in 28 U.S.C. 2462. Petitioner forfeited that claim by not raising it until his petition for rehearing in the court of appeals. Because the primary function of most statutes of limitations is to protect defendants against stale or unduly delayed claims, the law generally treats such statutes as providing an affirmative defense that a defendant must raise at the pleadings stage or suffer forfeiture or waiver. See, *e.g.*, *Day* v. *McDonough*, 547 U.S. 198, 202 (2006). While courts must consider *jurisdictional* questions sua sponte, petitioner does not argue that Section 2462's limitations period is jurisdictional, and courts have held that it is not. See, *e.g.*, *Canady* v. *SEC*, 230 F.3d 362, 363-364 (D.C. Cir. 2000) (holding that registered securities broker forfeited Section 2462 limitations defense by not timely raising it). In any event, this Court does not ordinarily

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[2] PTO's regulations call for the "Commissioner" to decide appeals. 37 C.F.R. 10.156. After promulgation of the relevant regulation, Congress changed the title of the head of PTO from "Commissioner" to "Director." See *Kroll*, 242 F.3d at 1362 n.1. And on January 31, 2002, the Director delegated the relevant authority to the General Counsel.

decide questions that were neither pressed in a timely manner nor passed upon below. *Youakim* v. *Miller*, 425 U.S. 231, 234 (1976).

CONCLUSION

The petition for a writ of certiorari should be denied.

Respectfully submitted.

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No. 07-847

In The
Supreme Court of the United States

S. MICHAEL BENDER,

Petitioner,

v.

JON W. DUDAS, Director,
Patent and Trademark Office,

Respondent.

On Petition for Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

PETITIONER'S REPLY BRIEF

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REPLY BRIEF FOR PETITIONER

In this case, the Federal Circuit incorrectly enlarges the jurisdictional basis under which the U.S. Patent and Trademark Office ("PTO") may exclude practitioners under 35 U.S.C. § 32. By ruling that the term "before the Office" covers extra-Office communications between a lawyer and his or her clients, the court below improperly ignores the limitations set forth in another section of the patent statute, namely 35 U.S.C. § 2(b)(2)(A), constraining the broadest specific power of the PTO to "the establishment of regulations governing the conduct of proceedings in the Office." The Federal Circuit in effect has hopelessly confused "[legal] practice before the Office" with "proceedings before the Office." Petitioner unlawfully has been disbarred for violating broadly proscribed "neglect" and "conflict of interest" rules, neither of which is restricted specifically to conduct in a "proceeding before the Office." Under 35 U.S.C. § 2(b)(2)(D), the PTO may promulgate regulations regarding attorney conduct, but those regulations can be no broader than the specific power to establish regulations under § 2(b)(2)(A). So here, where Petitioner has been charged with allegedly failing to: "adequately" advise a client about the difference between a utility and design; "promptly" communicate with a client about an Office Action; or explain all the ramifications, foreseeable or otherwise, possibly arising out of a guarantee clause in an invention promoter contract; there are no corresponding regulations which satisfy the limitation of § 2(b)(2)(A), namely regulations or rules which reasonably involve or relate to a "proceeding before the Office." Only by misapplication of *Chevron*, does the Federal Circuit

erroneously interpret the broadly proscribed rules to cover Petitioner's "out of Office" conduct.

The decision below also is in direct conflict with a decision of the Fourth Circuit with respect to the use of discovery in an attorney disciplinary proceeding where there is no disciplinary rule permitting such discovery and the interrogatory contains a threat of the onset of an administrative proceeding in the absence of a response deemed adequate by the PTO.

Finally, the decision below ignores arguments raised by Petitioner regarding his procedural due process rights in a quasi-criminal attorney disciplinary proceeding, thereby shirking the court's review responsibility under 5 U.S.C. § 706(2), and raising serious constitutional questions involving an undue taking under the Fifth Amendment of the Federal Constitution.

For the reasons given above, the Court should grant the petition for writ of certiorari.

REPLY TO RESPONDENT'S STATEMENT

1. While Congress gave the PTO authority to discipline attorneys practicing "before the Office" under 35 U.S.C. § 2(b)(2)(D) and § 32, that authority is limited by the broadest specific powers conferred by Congress under the Act. That broadest specific power is set forth in 35 U.S.C. § 2(b)(2)(A) and comprises "establishing regulations which shall govern *the conduct of proceedings in the Office*" (emphasis supplied). The "core" disciplinary charges in this case relate to communications with Petitioner's clients, not

to proceedings in the Office. They are properly reviewable only by the State Bar Authority where Petitioner is admitted. Even the charge of providing "evasive" answers to an PTO interrogatory, unconstitutional on its face, fails to meet the test of § 2(b)(2)(A) because the questions alleged to be "evasive" related to Petitioner's business relation with an invention marketing company and not to a "proceeding before the Office." Respondent's Brief conspicuously fails to address the overriding relationship between § 2(b)(2)(A) on the one hand and §§ 2(b)(2)(D) and 32 on the other.

2. When Petitioner assumed prosecution responsibility for the 1,000 Gilden design cases, Gilden had not been suspended "based upon his actions concerning those applications." This is a gross distortion of the facts by Respondent. As shown by the administrative record in the PTO, Gilden's suspension was based upon a guilty plea with respect to two counts, namely (i) failing to cooperate with the PTO's Office of Enrollment and Discipline (OED) and (ii) allowing another to affix his signature on a paper filed in an application in the Office, which application is not herein involved. The *Requirements for Information* addressed to the applicants in the Gilden applications at issue in this case, were not yet mailed by the PTO when Petitioner assumed prosecution responsibility and ironically it was Petitioner who obtained the responses from the Gilden clients and furnished them to the PTO. As a matter of law, Petitioner cannot be faulted for continuing to prosecute these applications after the responses were received. *In re Daniels*, 144 F.3d 1452, 1453 (Fed. Cir. 1998); and see *Rohm &*

Haas Co. v. Crystal Chemical Co., 727 F.2d 1556, 1572 (Fed. Cir. 1983).

3. The ALJ found *sua sponte* that Petitioner had provided "evasive" answers to four (4) questions "cherry picked" from Petitioner's response to an OED investigatory letter containing approximately 112 questions. Not a single one of the responses complained of by the ALJ were set forth in the Complaint or litigated during the administrative hearing before that ALJ. Rather, the PTO's lawyers argued in their Post-Hearing Briefs that the alleged violation based upon "prejudicing the administration of justice under 37 CFR 10.23(b)(5)" was grounded upon an exonerated charge of asking certain of his clients to cover certain PTO fees.

4. The Memorandum Opinion of the District Court below speaks for itself.

5. The Opinion of the Court of Appeals for the Federal Circuit below speaks for itself.

REPLY TO RESPONDENT'S ARGUMENT

1. Review of the Federal Circuit's holding in this case is warranted because that decision dangerously enlarges the jurisdictional basis upon which a federal regulatory agency (the PTO) may discipline practitioners recognized to appear before it. Such expansion of disciplinary authority by the PTO was and is not intended by Congress, nor is it constitutional in view of this Court's prior holding in *Sperry v. Florida ex rel. Florida Bar*, 373 U.S. 379, 402 (1963).

The PTO's disciplinary authority can be no broader than the broadest specific power conferred by Congress. Under 35 U.S.C. § 2(b)(2)(A), the PTO has the power only to "establish regulations which shall govern the conduct of proceedings in the Office." Any disciplinary rule promulgated under the statute therefore must reasonably be related to a "proceeding in the Patent Office." The proceedings in the PTO here concerned were the "Gilden design applications" prosecuted by Petitioner after he succeeded attorney Gilden as provided under PTO rules.[1] The Federal Circuit, in *In re Daniels*, 144 F.3d 1452, 1453 (Fed. Cir. 1998), held priorily that Petitioner fulfilled this responsibility well. The "core" disciplinary rules at issue in this case are broadly stated prohibitions with respect to "neglect"[2] and "conflict of interest."[3] They are not even vaguely specific with respect to the found charges of allegedly failing to "adequately" advise a client about the difference between a utility and design, "promptly" communicating with a client about an Office Action, or explaining all the ramifications, foreseeable or otherwise, possibly arising out of a guarantee clause in a contract with a third party. Accordingly, Petitioner never has had notice *in the form of a specific promulgated rule or rules* that his conduct would subject him to disciplinary action based upon the allegations in this case. 37 CFR § 10.23(c) sets forth specific rules arguably related to proscribed "conduct before the Office." Petitioner has not been

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[1] 37 CFR § 10.158(a)(2).

[2] 37 CFR § 10.77c.

[3] 37 CFR §§ 10.62(a) and 10.68(a)(1).

charged with violating any of these specific rules. With respect to the charge of "evasively" answering questions posed in an OED RFI, there is no specific promulgated rule prohibiting such conduct, let alone prohibiting an "evasive" answer to an interrogatory which the Fourth Circuit held in *Goldstein v. Moatz*, 364 F.3d 205 (4th Cir. 2004), to be "utterly lacking in procedural safeguards." While there is a specific rule proscribing a failure to cooperate with OED.[4] Petitioner never has been charged with infracting that rule. It clearly is an unconstitutional taking to disbar a practitioner for conduct that allegedly infringes non-specific promulgated rules. See *In re Ruffalo*, 390 U.S. 544 (1968), (In any attorney discipline proceeding, the charges must be known in advance of any hearing.) The PTO and the Federal Circuit have erroneously interpreted the Patent Statute under *Chevron*[5] to give the PTO the power to disbar for violation of any rule whatsoever even for innocuous conduct. Petitioner is unaware of anything in the legislative history of the Patent Act giving credence to the proposition that Congress intended the PTO to have such sweeping authority.

Respondent's position in this case that the alleged rule infractions are grounded on proper statutory authority is further undermined by the PTO's proposed new disciplinary rules (Part 11) published at *page 69442, Federal Register, Vol. 68, No. 239, Friday, December 12, 2003, Proposed Rules*. In these proposed rules, the PTO attempts to add "new" specific

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[4] 37 CFR § 10.131(b).

[5] *Chevron U.S.A. Inc. v. NRDC*, 467 U.S. 837 (1984).

regulations making the conduct alleged to be infractions in the present case, violations under a greatly expanded Code of Professional Responsibility (Part 11). Not insignificantly, the PTO also adds proposed rule § 11.19(c)(1) which attempts to expand the PTO's disciplinary jurisdiction to include "out of office" matters. By so doing, the PTO concedes that the found infractions do not violate the present Code (Part 10) and that the PTO's jurisdiction is limited to "proceedings before the Office" as annunciated in specific promulgated rules to such effect.

Respondent's argument that *Sperry* does not apply to this case similarly is without merit. The "neglect" and "conflict of interest" rules relied upon by the PTO are borrowed from the ABA Rules of Professional Responsibility. They are not specific to the found charges of misconduct in this case. Under the Tenth Amendment of the Federal Constitution, only the State where Petitioner is admitted has the power to discipline under such broadly proscribed rules. *Sperry* at page 403 ("The Tenth Amendment states but a truism that all is retained which has not been surrendered").

The present case is a blatant example of federal agency "scapegoatism." Having let attorney Gilden wiggle off the hook by entering into a settlement agreement with him, the PTO now is prosecuting Petitioner to advance its *ultra vires* policy of "stamping out" invention marketing companies. As pointed out above, Gilden was not suspended for unethical practices in connection with the very patent applications at issue here as erroneously stated by Respondent. Nor did Petitioner "unapologetically

continue most of the same abusive practices -- while committing additional ethics breaches..." as further untruthfully stated by Respondent without reference to any support in the pleading or in the exclusive record. There is none. Petitioner was not only unfairly targeted for discipline from the outset of this proceeding, he was unconstitutionally prejudged when the then Deputy Commissioner of Patents boasted in public in September, 1994, long before any administrative hearing in this case, that "we have taken action against [Petitioner] to take [him] off the rolls."[6]

2. Petitioner's reliance upon *Goldstein*[7] is anything but misplaced. The Fourth Circuit in *Goldstein* held that the only way to challenge abusive use of OED interrogatories by the PTO was to bring a private "Bivins-type" lawsuit against the PTO's investigator. On remand, and fearful of the court ruling the OED RFI's unconstitutional on their face, the PTO "tactically mooted" the action by dropping all disciplinary charges against attorney Goldstein. See *Goldstein v. Moatz*, 445 F.3d 747 (4th Cir. 2006). That is the reason the court held Goldstein was not a prevailing party entitled to attorney fees. The reason given by Respondent at page 12 namely that "precisely because [Goldstein] was not a prevailing party" is misleading.

Respondent's disparagement of the Fourth Circuit ruling in *Goldstein*, shared by the Federal Circuit,

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[6] Pet. App. 55a-56a.

[7] *Goldstein v. Moatz*, 364 F.3d 205 (4th Cir. 2004).

underscores why it is so crucial that certiorari be granted in this case. There is an irreconcilable conflict between the sister Circuits on the question of whether the use of OED RFIs, not permitted under any PTO disciplinary rule, which "utterly lack procedural safeguards," and which contain the threat of invoking an administrative hearing if not responded to, are appropriate, let alone constitutional under the Fifth Amendment. In the present case, the PTO abusively directed more than about 20 such disciplinary letters at Petitioner over a five year period before belatedly bringing the underlying § 32 administrative proceeding.[8] Many, if not most of the OED RFIs (and Petitioner's responses) were not used to support such proceeding, they merely were discarded or vanished into thin air. This case is the "posterchild" for the abusive use of OED RFIs by the PTO. It is long past due that such a practice, fundamentally lacking in due process, be reviewed and overturned by this court.

3. The failure to specify which questions in a 112 question interrogatory were considered to have been "evasively answered" before the administrative Hearing so that Petitioner could prepare an adequate defense to this charge is fundamental to procedural due process especially where, as here the proceeding is a quasi-criminal attorney disciplinary proceeding seeking to deprive Petitioner of his right to earn a living and his honor. *In re Ruffalo*, supra. As conceded by Respondent, there is no disciplinary rule that requires "non-evasive" answers to an interrogatory not permitted by any disciplinary rule, whatever the term

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[8] Pet. App. 23a.

"evasive "means in this context. The only rule in this respect requires a "duty to cooperate" and inasmuch as Petitioner answered all questions posed he met that duty. In any event, Petitioner was not charged with violating the "duty to cooperate" rule or rules and therefore is exonerated of any such alleged violation.[9] The PTO's proposed new disciplinary rules (Part 11) add new rule § 11.22(l) which specifically makes "evading answering to an OED RFI" a ground of misconduct under § 11.804(d). This corroborates that no such specific rule is contained in Part 10, the rules governing this proceeding. The PTO's failure to accord Petitioner his procedural due process rights in an administrative proceeding raises constitutional issues under the Fifth Amendment. Certiorari should be granted for this reason alone.

4. Any violation of § 554(d) of the Administrative Procedures Act that leads to disbarment of an attorney involves questions of "undue taking" under the Fifth Amendment and therefore merits certiorari for this reason. There is no dispute that Harry Moatz both investigated Petitioner and then, and only then, after being promoted to Director of OED, "initiated" the underlying § 32 administrative Hearing in this case. Such "participation" violates the spirit if not the letter of § 554(d) and in any event comes within the exception articulated by the Supreme Court in *Withrow v. Larkin*, 421 U.S. 35, 58 (1975), (A court is not precluded "... from determining, from the special facts and circumstances present in the case before it, that the risk of unfairness is intolerably high."). The

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[9] See 37 CFR §§ 10.131(b) and 23(c)(16).

failure of the Federal Circuit to consider this "lack of due process" issue is unfathomable.

5. There can be no waiver of Petitioner's argument that the five-year statute of limitations imposed by 28 U.S.C. § 2462 bars excluding an attorney from practice before the PTO because Petitioner throughout this protracted litigation urged that "undue delay" in bringing the law suit by the PTO was an "extenuating circumstance" to be considered in determining the sanction in the case. See Pet. App. pages 81a-82a.

There is no dispute that the core violations occurred more than five years preceding the filing date of the Administrative Complaint. Whether 28 U.S.C. § 2462 precludes disbarring Petitioner on the administrative record is a pure issue of law. The Federal Circuit, in discharge of its *de novo* review responsibility could have and should have applied § 2462 to the facts of this case, particularly in view of the Federal Circuit's prior decision in *Sheinbein v. Dudas*, 465 F.3d 493 (Fed. Cir. 2006), and the fact that Petitioner raised the very same issue in his Supplemental Brief, ordered by the Federal Circuit (App. infra. page 8a). See *Elder v. Holloway*, 510 U.S. 510 (1994).

CONCLUSION

For the reasons given above, the petition for writ of certiorari should be granted.

Respectfully submitted,

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